PRINCETON

TEXAS

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2018

"It is the mission of the City of Princeton to provide high quality of life through essential municipal services, infrastructure, public safety and recreation, while welcoming growth through effective and fiscally responsible government."

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2018

City of Princeton, Texas

City Manager
Derek Borg

Director of Finance
Carron Prigmore

CITY OF PRINCETON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

TABLE OF CONTENTS Page

INTRODUCTORY SECTION

Letter of Transmittal..... i
Certificate of Achievement for Excellence in Financial Reporting - GFOA..... v
Organizational Chart..... vi
Elected and Appointed Officials..... vii

FINANCIAL SECTION

Independent Auditor's Report..... 1

A. Management Discussion and Analysis..... 3

B. Basic Financial Statements

Government-wide Financial Statements:
Statement of Net Position..... 17
Statement of Activities..... 18

Governmental Fund Financial Statements:
Balance Sheet..... 20
Reconciliation of of Governmental Funds Balance Sheet
to the Statement of Net Position..... 21
Statement of Revenues, Expenditures, and Changes in Fund Balances..... 22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities..... 23
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual..... 24

Proprietary Fund Financial Statements:
Statement of Net Position..... 25
Statement of Revenues, Expenses, and Changes in Net Position..... 26
Statement of Cash Flows..... 27

Notes to the Basic Financial Statements..... 28

C. Required Supplementary Information:

Schedule of TMRS Funding Progress and Contributions..... 65
Schedules of Changes in Net Pension Liability and Related Ratios - TMRS..... 66
Schedule of OPEB Funding Progress and Contributions..... 67
Schedules of Changes in Total OPEB Liability..... 68

CITY OF PRINCETON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

TABLE OF CONTENTS Page

D. Individual Fund Financial Statements and Schedules

Budgetary Comparison Schedule - Debt Service Fund……. 71

Balance Sheet - Component Unit - Economic Development Corporation……. 72
Reconciliation of the Governmental Fund Balance Sheet to the Statements of Net Position - Economic Development Corporation……. 73
Statement of Revenues, Expenditures, and Changes in Fund Balance - Economic Development Corporation……. 74
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities - Economic Development Corporation……. 75

Balance Sheet - Component Unit - Community Development Corporation……. 76
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position - Community Development Corporation……. 77
Statement of Revenues, Expenditures, and Changes in Fund Balance - Community Development Corporation…….. 78
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities - Community Development Corporation…….. 79

Budgetary Comparison Schedule - Economic Development Corporation…….. 80
Budgetary Comparison Schedule - Community Development Corporation……. 81

STATISTICAL SECTION (UNAUDITED)

Table

1. Net Position by Component…….. 85
2. Changes in Net Position…… 86
3. Governmental Activities Tax Revenues by Source…….. 90
4. Fund Balances, Governmental Funds…….. 91
5. Changes in Fund Balances of Governmental Funds……. 92
6. Assessed Value and Estimated Actual Value of Taxable Property…….. 94
7. Direct and Overlapping Property Tax Rates…… 95
8. Principal Taxpayers…….. 96
9. Property Tax Levies and Collections…….. 97
10. Ratio of Outstanding Debt by Type……. 98
11. Ratios of net General Bonded Debt Outstanding……. 99
12. Direct and Overlapping Governmental Activities Debt…….. 100
13. Legal and Debt Margin Information……. 101
14. Pledged-Revenue Coverage……. 102
15. Demographic and Economic Statistics……. 103
16. Principal Employers……. 104
17. Full-Time Equivalent City Government Employees by Function/Program…… 105
18. Operating Indicators by Function……. 106
19. Capital Asset Statistics by Function/Program……. 107

PRINCETON
TEXAS

March 25, 2019

Honorable Mayor and Members of the City Council
City of Princeton
Princeton, Texas

Dear Mayor and Council Members:

The Comprehensive Annual Financial Report ("CAFR") of the City of Princeton, Texas for the fiscal year ended September 30, 2018 is submitted herewith.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive frame work of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

LaFollett and Abbott, PLLC has issued an unmodified ("clean") opinion on the City of Princeton's financial statements for the year ended September 30, 2018. The independent auditor's report is located in the beginning of the financial statement section of the CAFR.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements.

GENERAL INFORMATION – CITY OF PRINCETON

In the late 1870s, T.B. Wilson and his brother George began farming near the site of future Princeton. In 1881, the Missouri, Kansas and Texas Railroad Company extended its line from Greenville to McKinney, passing through land owned by the brothers. The name Wilson's Switch was commonly used to designate the area but when the residents of the community applied for a post office branch, they learned that the name Wilson was already being used. The name Princeton was then selected, to honor Prince Dowlin, a landowner and promoter of the town. This name was accepted and a post office was established in 1888.

Princeton is a rapidly growing city in Collin County, Texas. Princeton is located in northeast Collin County between the cities of McKinney and Greenville on U.S. Highway 380. Collin County is currently one of the fastest growing counties in Texas.

The City is continuing to grow as the economy recovers over and several residential developments have started construction on new lots. There are several commercial projects that are being reviewed for construction in the near future.

The City of Princeton is a political subdivision and operates under the General Law type "A" form of government. Policy-making and legislative authority are vested in the governing council, which consists of a Mayor and five-member council.

The financial reporting entity (the government) includes all the funds of the primary government. The government provides a full range of services including police protection and a combination of paid and volunteer fire department, sanitation services; community development; code enforcement; two public parks, and a city library; the construction and operation of water, sewer, drainage, solid waste services, and infrastructure; and cultural events.

ECONOMIC CONDITIONS AND OUTLOOK

Princeton is located in the eastern part of Collin County, approximately six miles east of U.S. Highway 75 that connects Dallas to Oklahoma and on U.S. 380, the primary regional transportation artery that connects Texas to New Mexico on the west and to I-30 on the east. The City is approximately thirty-eight miles from DFW International Airport, which is centrally located between Dallas and Ft. Worth.

The neighboring City of McKinney, Texas is located immediately west of Princeton. The City of McKinney has experienced remarkable growth over the past ten years, growing to over 155,142 residents. This growth has extended to the east into Princeton and development has been steadily increasing over the past year. Since 1980, Collin County has been a growth center in the state, moving north and reaching Princeton and other small cities over the past decade. The estimated population of Princeton was 9,356 for 2015 and is estimated at 10,632 in 2016. The projected growth rate for the next five years is estimated to be above 13%.

Economic Indicators and Tax Rate

- The 108-acre business park sponsored by the Princeton Economic Development Corporation has been completed and is currently being marketed.

- Several new businesses have located their establishments here in Princeton paving the way for many new jobs.

- The Princeton ISD is a public school district and continues to build new facilities to keep up with the growth. There are 3 elementary schools, 2 intermediate schools, and 1 high school. There is 1 new elementary and 1 new intermediate school currently under construction.

- Princeton receives its water from North Texas Municipal Water District in Wylie, Texas. The District supplies water to most of the communities in North Texas, and is expanding its capability by building an additional reservoir at the Lower Bois D'Arc Creek location. This is now under construction and will serve the growth of the region well into the future.

- Property tax revenues increased 29% over FY2017. It is estimated that over 50% of this increase is due to additions to the tax roll from new properties.

- Sales tax revenues increased 5% over FY2017. It is projected that this increase for FY2019.

Long Term Financial Planning and Capital Improvements

Princeton just completed its Comprehensive Plan Update and is now in the process of preparing its five year planning update. We keep a close eye on the sales tax and property values and work close with the Princeton EDC to identify potential opportunities to incentivize local business in order to support our local economy. The Citizens passed alcohol sales for "on premise consumption" in 2018 and we have received positive feedback from the business community paving the way for more family sit down restaurants. The EDC has committed to funding the

costs to form an overlay district encompassing the older downtown area to pave the way for new development. The new overlay will allow for new development but provide flexibility when it comes to style and architecture.

In addition to this document interested parties are encouraged to read the FY 2019 Annual Budget. The Budget document outlines the individual components of the City's revenue and expenditures. The document also outlines strategic long term planning principals and goals, along with the capital improvement planning and projects.

Major Capital Improvement Projects Underway or Under Design

Some of the street reconstruction projects include: 2nd St., Dogwood, East McKinney, Jefferson, McLain, 3rd St., Royal, San Remo, Tickey Dr.

Some of the new facilities include: New Dog Park and the Community Park, new public space and municipal center, soccer fields, walking trails.

Water and waste water projects: 27 inch waste water line from the new Crossroads development, new 12 inch water line at the Community Park, 30inch waste water interceptor line on Myrick Lane.

A detailed description and list can be found in the 2019 FY budget, it outlines all of the capital improvement projects and opinions of probable cost.

Accounting Procedures and Budgetary Concepts

The City's accounting records for general government are maintained on a modified accrual basis with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

In accordance with the City's Budget Policy, the budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's Director of Finance, and expenditure estimates by each City department. Budgets are reviewed by the City Manager and the Director of Finance, and a preliminary draft of the proposed budget is submitted to the Mayor for review. Following the Mayor's review, the draft budget is referenced during budget workshops. It is the responsibility of the Mayor to present the City's annual operating budget to the City Council for their approval.

As part of each year's budget development process, departments are required to update expenditure estimates for the current fiscal year. These estimates are reviewed by the City Manager, Director of Finance, and the City Council concurrent with review of the proposed budget. This re-estimated budget may require a supplemental appropriation and, if so, such supplemental appropriation is approved by ordinance adopted by the City Council prior to the end of the current fiscal year. The legal level of budgetary control is maintained at the fund level – budget amendments increasing total expenditures within a fund require formal approval by the City Council.

It is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to 90 days of expenditures. If unassigned fund balance falls below the goal or has a deficiency, the City will implement a plan to restore the 90-day unassigned fund balance reserves.

During the course of the fiscal year, expenditure controls are maintained by each department head with overall review exercised by the Director of Finance. Monthly departmental expenditures are generated by an automated management accounting system and provide expenditure totals for the most recently completed month, as well as a year-to-date total, and an actual versus planned rate of expenditure. Major expenditure requests are approved by the City Council when the budget is approved.

The objective of these controls is to regulate expenditures to be in accordance with the budget and the directives of City Council. These controls are inherently limited by the segregation of duties of a small government.

General Governmental Functions

Tax Rates: All eligible property with the City is subject to assessment, levy, and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. The City's tax rate history as adopted by the City Council is shown below:

	Tax Rate
2014-2015	0.721800
2015-2016	0.691886
2016-2017	0.689890
2017-2018	0.689890
2018-2019	0.688820

OTHER INFORMATION

Independent Audit: The City of Princeton has engaged the firm of LaFollett and Abbott PLLC to perform the annual audit and their opinion has been included in this report. It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and state that, in their opinion, the statements herein present fairly, in all material respects, the financial position of the City at September 30, 2018 and the changes in financial position and cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Acknowledgements

Many persons are responsible for the preparation of this report, and for the maintenance of records upon which it is based. Appreciation is expressed to the City employees throughout the organization, especially those of the Finance Department who were instrumental in the successful completion of this report.

Our appreciation is also extended to the Mayor and City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,

Derek Borg
City Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Princeton

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

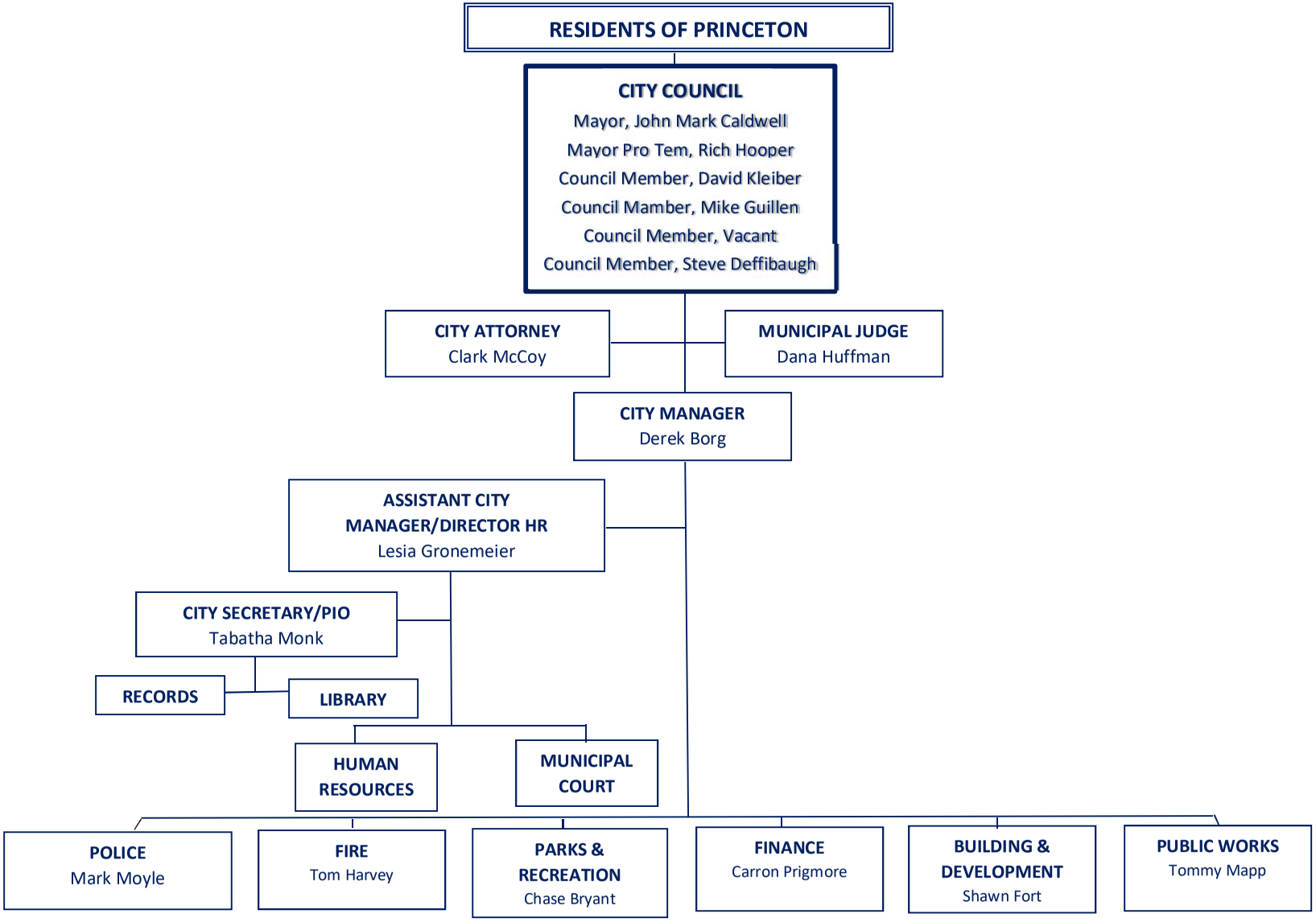
September 30, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF PRINCETON

Organization Chart



CITY OF PRINCETON, TEXAS

For the year ended September 30, 2018

City Council

John-Mark Caldwell, Mayor

Rich Hooper, Mayor Pro-Tem

David Kleiber

Mike Guillen

Steve Deffibaugh

CITY OF PRINCETON
THE STATE OF TEXAS

FINANCIAL SECTION

CITY OF PRINCETON
THE STATE OF TEXAS

LaFollett and Abbott PLLC
Certified Public Accountants

Susan LaFollett, CPA – Partner
Rod Abbott, CPA – Partner

INDEPENDENT AUDITOR'S REPORT

To the City Council of the
City of Princeton, Texas

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Princeton, Texas (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Princeton, Texas, as of September 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

LaFollett and Abbott PLLC
PO Box 717 · Tom Bean, TX · 75489
903-546-6975 · www.lafollettcpa.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3-13 and the required supplementary information as listed on the table of contents on pages 65-68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion on them or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Princeton, Texas internal control over financial reporting and compliance.

LaFalletta and Abbott PLLC

Tom Bean, Texas
March 25, 2019

CITY OF PRINCETON,TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2018

As management of the City of Princeton ("City"), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative:

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the fiscal year by $61,201,164 (net position). Of this amount, $10,677,115 or 17%, is restricted for certain purposes. The unrestricted net position of $7,101,701, or 12%, may be used to meet the City's ongoing obligations to its citizens and creditors in accordance with fund designation and fiscal practices.

- The City's total net position increased by $22,505,984. This increase is primarily a result of an increase in property tax collections and developer contributions in both governmental and business-type activities.

- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of $9,161,214, a decrease of ($2,973,075), or (25%), in comparison with the prior year. This decrease is attributed to significant improvements in street infrastructure.

- At the end of the current fiscal year, unassigned fund balance for the General Fund of $1,857,401 was 21% of total General Fund expenditures for the fiscal year.

- In the government-wide statement, the City's total long-term obligations increased by $480,272, or 2%. This is primarily due to the City issuing $1,995,219 in a capital lease obligation.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, in a manner similar to that of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting.

The government-wide statements, pages 17 – 19, are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes and charge for services finance most of these activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system and storm water drainage activity are reported as business-type activities. The final category is the component units. The City includes two separate legal entities in its report – the Princeton Economic Development Corporation and the Princeton Community Development Corporation. Although legally separate, these component units are important because the City is financially accountable for them.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in Texas, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for the majority of the City's activities, which are essentially the same functions as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as resources available for future spending at the end of the fiscal year. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. When compared with similar information in the broader government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation is provided that details the relationships or differences between governmental activities and governmental funds; reconciliation follows the fund financial statements.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Debt Service Fund, and Capital Projects Funds, all of which are considered to be major funds. The basic governmental fund financial statements can be found on pages 20 – 23 of this report.

The City adopts an annual budget for its General Fund and Debt Service Fund, as required by the General Statutes. The budgets are a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund and Debt Service Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison schedule uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The schedule shows four columns: 1) original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances; and 4) the difference or variance between the final budget and the actual resources and charges. The General Fund Budgetary Comparison Schedule can be found on page 24.

Proprietary Funds – The City has one type of proprietary fund – Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations and storm water drainage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations and the storm water drainage fund.

The basic proprietary fund financial statements can be found on pages 25 - 27 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 28 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and net pension liability. This information is on pages 63 - 68 of this report.

CITY OF PRINCETON
THE STATE OF TEXAS

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 10,236,455	$ 14,876,621	$ 9,079,270	$ 7,127,865	$ 19,315,725	$ 22,004,486
Capital assets	42,642,240	27,501,781	29,205,377	20,215,246	71,847,617	47,717,027
Total assets	52,878,695	42,378,402	38,284,647	27,343,111	91,163,342	69,721,513
Deferred outflow - pension	164,977	335,305	421,569	505,984	586,546	841,289
Long-term liabilities	19,179,959	18,965,951	8,861,982	8,778,546	28,041,941	27,744,497
Other liabilities	1,059,756	2,645,330	1,447,027	1,432,137	2,506,783	4,077,467
Total liabilities	20,239,715	21,611,281	10,309,009	10,210,683	30,548,724	31,821,964
Deferred inflow - pension	-	11,376	-	4,497	-	15,873
Net position:						
Investment in capital assets	22,926,273	9,143,889	20,496,075	11,639,474	43,422,348	20,783,363
Restricted	7,211,360	9,628,521	3,465,755	3,188,024	10,677,115	12,816,545
Unrestricted	2,666,324	2,318,640	4,435,377	2,790,157	7,101,701	5,108,797
Total net position	$ 32,803,957	$ 21,091,050	$ 28,397,207	$ 17,617,655	$ 61,201,164	$ 38,708,705

Changes in Net Position - the cumulative effect of implementing GASB Statement No. 75 decreased total net position by ($60,945) for the fiscal year September 30, 2018.

As noted earlier, net position may serve over time as one useful indicator of a government's financial position. The combined net position of the City was $61,201,164 as of September 30, 2018. The City's net position increased $22,505,984, excluding prior period adjustment, for the fiscal year ended September 30, 2018.

Net invested in capital assets:
The largest portion, $43,422,348, or 72%, reflects the City's investment in capital assets (i.e., land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:
The restricted net position of $10,677,115, or 17%, of total net position represents resources that are subject to external restrictions on their use or by enabling legislation or outside third parties. Restricted net position is comprised of state/federal and contractually imposed restrictions which are: $2,336,466, or 22%, for debt service requirements, capital improvements of $8,236,929 or, 77%, that includes impact fees, PEG fees, and TIRZ ad valorem taxes, and use by court of $103,720, or 1%.

Unrestricted net position:
Unrestricted net position of $7,101,701, or 11%, is available to fund City programs to citizens and debt to creditors. The significant increase in unrestricted net position is due, in part, to the collection of building permits issued during the fiscal year and higher assessed property values.

CHANGES IN NET POSITION

	Governmental Activities		Business Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	$ 5,707,888	$ 4,264,101	$ 12,680,000	$ 9,882,898	$ 18,387,888	$ 14,146,999
Operating grants and contributions	477,699	422,920	-	-	477,699	422,920
Capital grants and contributions	9,084,326	5,385,169	5,517,586	4,449,124	14,601,912	9,834,293
General Revenues:						
Property taxes	4,581,813	3,539,491	-	-	4,581,813	3,539,491
Sales taxes	1,327,813	1,267,448	-	-	1,327,813	1,267,448
Franchise taxes	338,887	262,549	-	-	338,887	262,549
Other taxes	5,698	2,984	-	-	5,698	2,984
Investment income	112,237	76,593	80,657	24,525	192,894	101,118
Donations-not restricted for specific purpose	365	-	-	-	365	-
Miscellaneous	28,387	5,270	41,261	32,888	69,648	38,158
Total revenues	21,665,113	15,226,525	18,319,504	14,389,435	39,984,617	29,615,960
Expenses:						
General government	1,009,624	861,576	-	-	1,009,624	861,576
Public safety	4,014,770	3,050,330	-	-	4,014,770	3,050,330
Library	169,895	151,936	-	-	169,895	151,936
Public services and operations	1,353,362	886,973	-	-	1,353,362	886,973
Parks and recreation	706,987	527,723	-	-	706,987	527,723
Public works	1,743,261	1,642,760	-	-	1,743,261	1,642,760
Water and sewer	-	-	7,035,712	5,943,268	7,035,712	5,943,268
Storm water drainage	-	-	512,114	231,989	512,114	231,989
Interest on long-term debt	623,667	544,788	309,241	240,137	932,908	784,925
Total expenses	9,621,566	7,666,086	7,857,067	6,415,394	17,478,633	14,081,480
Increase/(decrease) in net position before transfers	12,043,547	7,560,439	10,462,437	7,974,041	22,505,984	15,534,480
Transfers	(317,115)	(33,491)	317,115	33,491	-	-
Increase/(decrease) in net position	11,726,432	7,526,948	10,779,552	8,007,532	22,505,984	15,534,480
Net position - beginning of year	21,135,735	13,925,984	17,633,915	10,761,559	38,769,650	24,687,543
Cumulative effect of change in accounting principle	(44,685)	-	(16,260)	-	(60,945)	-
Prior period adjustments	(13,525)	(317,197)	-	(1,135,176)	(13,525)	(1,452,373)
Net position - end of year	$ 32,803,957	$ 21,135,735	$ 28,397,207	$ 17,633,915	$ 61,201,164	$ 38,769,650

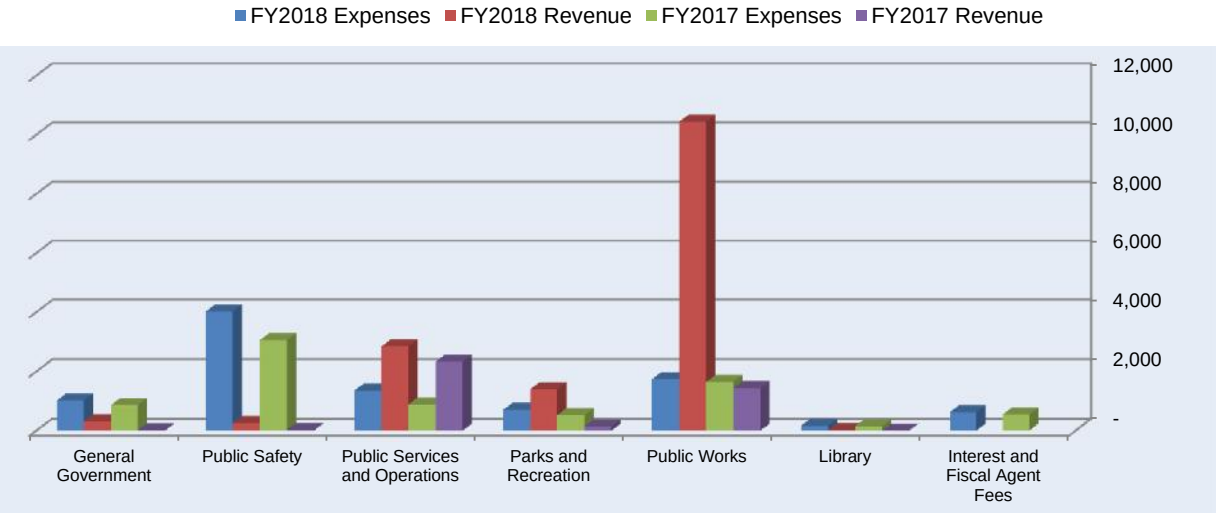
Governmental activities increased net position by $11,726,432, excluding prior period adjustment, in comparison to the prior year. Of this increase, property tax revenues is the largest portion accounting for $1,042,322, or 9%, developer contributions make up $3,699,157, or 32%, and charges for services services increased $1,443,787, or 12%. The significant increase in property tax revenues and developer contributions received is due to the ongoing development within the City.

Business-type activities increased net position by $10,779,552, in comparison to the prior year. The primary reason for this is the developer contributions of $1,068,462, or 10%, and charge for services of $2,797,102, or 26%. These increases are due to more customers being added to the water and sewer distribution system with the ongoing development of the City.

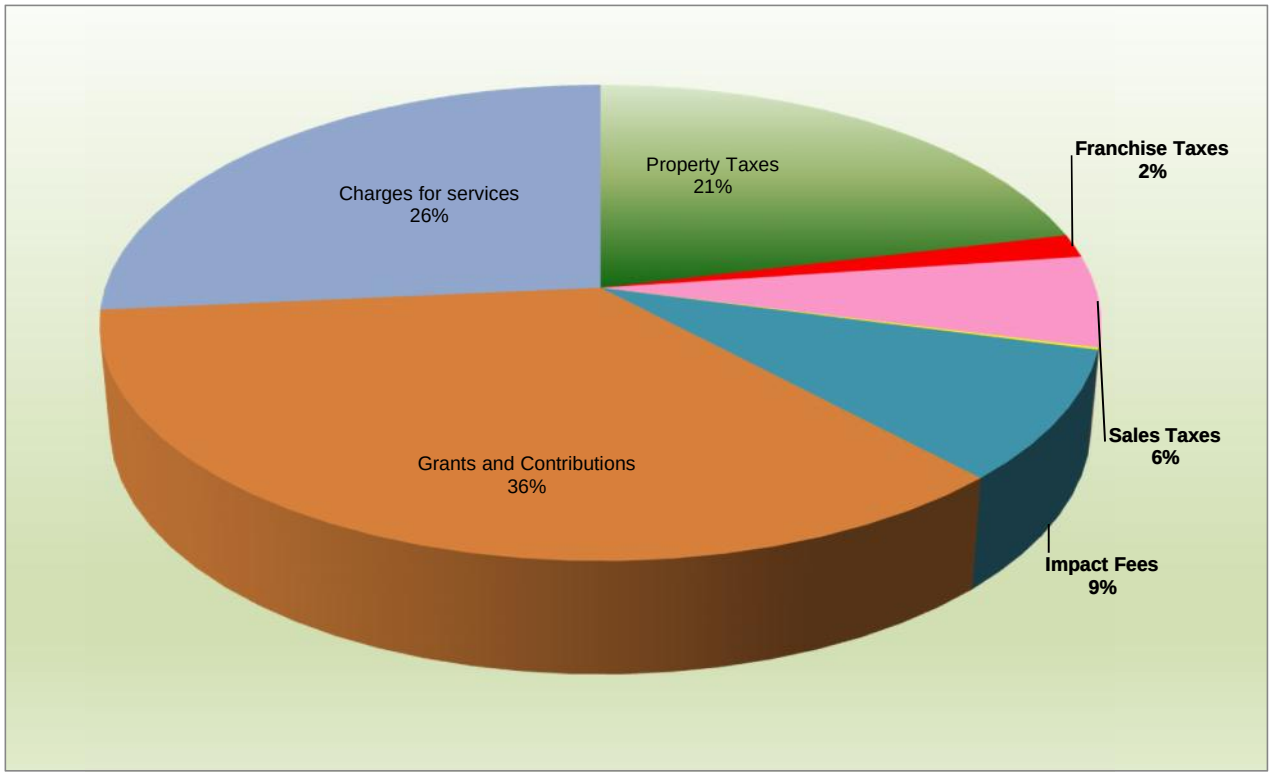
Governmental-type activities - Governmental-type activities increased the City's net position by $11,726,432. Some key elements of this increase are as follows:
Property tax revenues increased $1,042,322, or 23%.
Developer contributions were $3,699,157, or 47%;
Charge for services increased $1,443,787, or 35%.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities

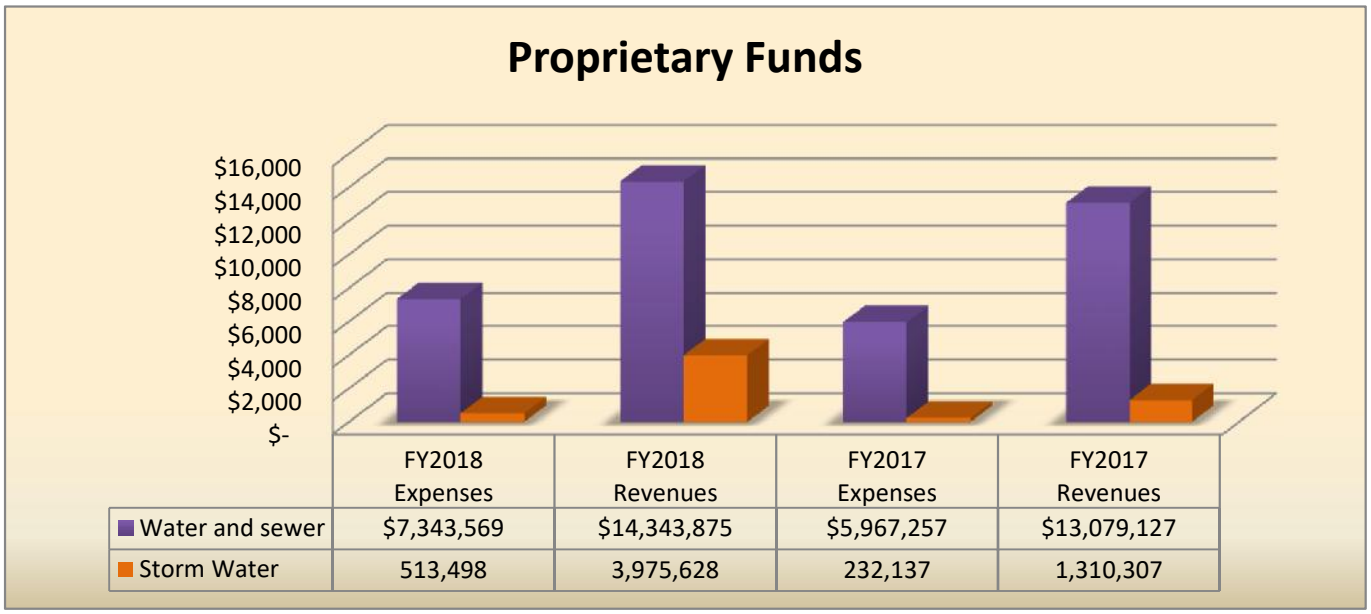


Business-type Activities - Business-type activities increased the City's net position by 10,779,552. Key elements for this increase are as follows:

Charge for services increased $2,797,102, or 28%.
Developer contribtutions increased $1,068,462, or 24%

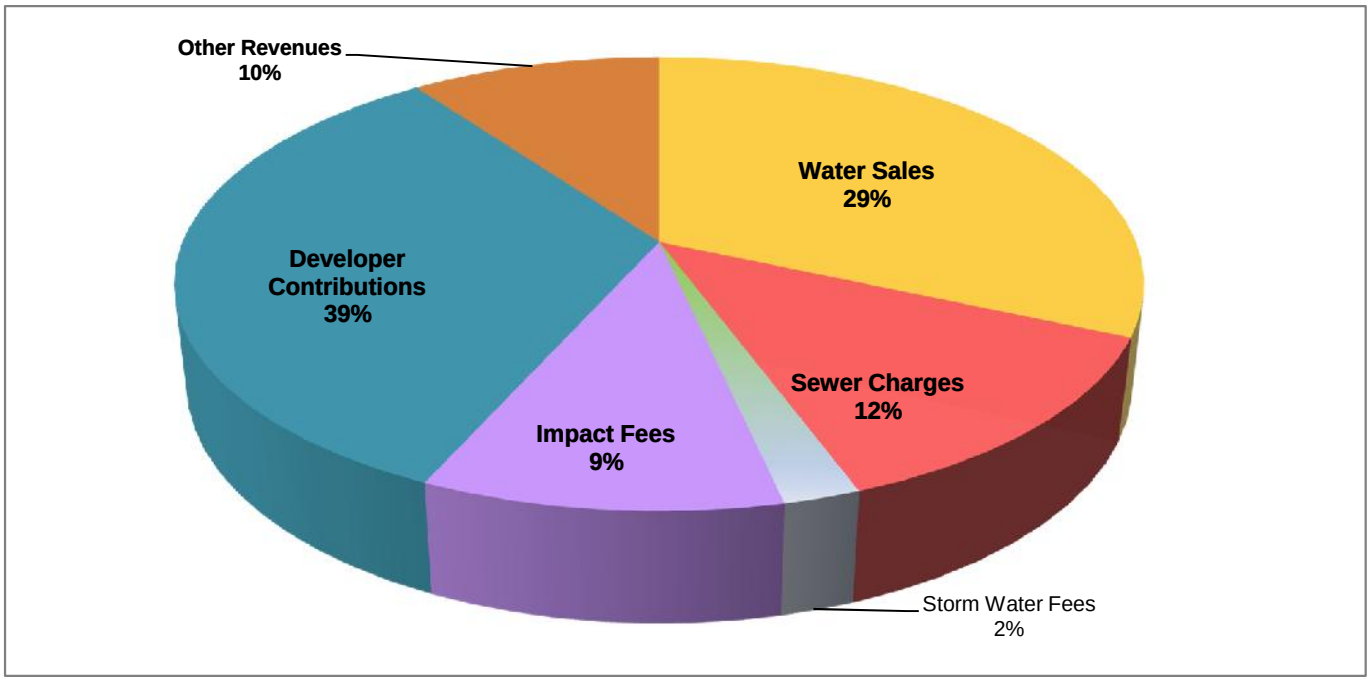
Expenditures and Program Revenues - Business-type Activities

(amounts expressed in thousands)



	FY2018 Expenses	FY2018 Revenues	FY2017 Expenses	FY2017 Revenues
Water and sewer	$7,343,569	$14,343,875	$5,967,257	$13,079,127
Storm Water	513,498	3,975,628	232,137	1,310,307

Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds
The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance serves as a useful measure of the City's resources available for spending at the end of the fiscal year.

At September 30, 2018, the City's governmental funds reported combined ending fund balances of $9,161,214, a (25%) decrease in comparison with the prior year. Of this amount, $1,857,401, or 20%, is unassigned fund balance.

- Nonspendable fund balance of $1,709,971, or 18.7%, of total fund balance consists of amounts that are not spendable in form and are contractually required to be maintained intact. These amounts are as follows:
  - $1,676,722, or 98.1%, are note receivables due from component units;
  - $21,133, or 1.2%, is for prepaid items; and
  - $12,116, or 0.7%, is for inventory.

- Restricted fund balances of $4,918,918, or 53.7%, of total fund balance consists of amounts restricted by external laws or contractual obligations. These are as follows:
  - $103,720, or 2.1%, for state imposed restrictions for use of court fees;
  - $659,744, or 13.4%, for debt service requirements;
  - $4,151,773, or 84.4%, for capital improvements; and
  - $3,681, or .1%, for public safety.

- Committed fund balance of $190,718, or 2%, that was approved by the City Council is for park improvements.

- Assigned fund balance of $484,206, or 5%, of total fund balance, are as follows:
  - $42,070, or 9%, is for Public Safety;
  - $424,183, or 88.%, is for the Parks Department;
  - $7,453, or 2.%, is for the Streets and Facilities; and
  - $10,500, or 2.%, is for Development.

The General Fund is the chief operating fund of the City and had an unassigned fund balance of $1,857,401, at the end of the current fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 21% of total General Fund expenditures.

Other Governmental Funds - As compared with the prior year, the total fund balances of the remaining governmental funds decreased (35.76%), or ($3,444,196), with the following significant changes:

- The fund balance of the Debt Service Fund decreased (0.3%), or ($9,934).

- The fund balance of the Capital Improvement Funds decreased (47%), or ($3,420,737), primarily as a result of street improvement projects.

Proprietary Funds
The City's proprietary fund statements provide essentially the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to $4,435,377, a 58% increase over the prior year. This is due to an increase in impact fees and charge for services.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increase in appropriations that become necessary to maintain services.

Capital Assets and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, totals $71,847,617 (net of accumulated depreciation). These assets include land, buildings, improvements, infrastructure, machinery & equipment, vehicles and construction in progress. The total increase in capital assets for the current fiscal year was approximately 50.6%.

Major capital asset events during the current fiscal year included the following:

- Contribution of street infrastructure from developers $ 6,655,579
- Contribution of water/sewer infrastructure from developers $ 3,681,766
- Contribution of storm water drainage infrastructure from developers $ 3,615,991
- Public Works building completed
- Several major infrastructure improvement projects ongoing or completed
- Safer Routes to School - sidewalk improvements - completed

Capital Assets
(net of accumulated depreciation)
September 30, 2018

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	$ 1,759,675	$ 866,817	$ 264,013	$ 180,353	$ 2,023,688	$ 1,047,170
Infrastructure	34,253,347	18,030,819	27,316,109	17,196,748	61,569,456	35,227,567
Building & improvements	3,574,101	852,134	129,168	134,756	3,703,269	986,890
Machinery & equipment	1,381,584	367,228	600,083	228,375	1,981,667	595,603
Construction in progress	1,673,533	7,384,783	896,004	2,475,014	2,569,537	9,859,797
Total	$ 42,642,240	$ 27,501,781	$ 29,205,377	$ 20,215,246	$ 71,847,617	$ 47,717,027

More detailed information about the City's capital assets is presented in Note F to the financial statements.

Long-term Debt - As of September 30, 2018, the City had $27,413,936 in long-term obligations. This represents an increase of $480,272, or 2%, in comparison with the prior year. The 2013 Tax Note was paid in full and capital lease funds of $1,995,219 were secured to purchase new equipment and vehicles.

Outstanding Debt
September 30, 2018

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds & Certificates of Obligation	$ 17,077,802	$ 17,563,515	$ 8,112,610	$ 8,429,800	$ 25,190,412	$ 25,993,315
Tax Note	-	570,000	-	-	-	570,000
Capital Leases	1,626,832	224,377	596,692	145,972	2,223,524	370,349
	$ 18,704,634	$ 18,357,892	$ 8,709,302	$ 8,575,772	$ 27,413,936	$ 26,933,664

More detailed information about the City's long-term obligations is presented in Note H to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The FY2018-2019 budget incorporates the effective property tax rate of $0.688820 per $100 valuation. This is a slight decrease in rate from FY2017-2018. The budget will raise more total property taxes by $1,017,105, or 23.84%. Of this amount, $641,604 is from new property added to the tax roll.

The FY2018-2019 governmental revenue budget has a 6% increase budgeted over the FY2017-2018 final amended budget. The City's property tax revenue is expected to increase along with building permits with the completion of residential and commercial buildings as the City grows.

The FY2018-2019 governmental expenditure budget has a 2% increase budgeted over the FY2017-2018 final amended budget. This is partially due to increase in employee payroll and benefits with the addition of full-time and part-time employees needed to service the citizens of the City.

The FY2018-2019 budget for the proprietary funds revenues include a 6% increase over the prior year. Impact fees are expected to increase slightly. Expenses include a 4% increase of the prior year due to the increase in the number of employees needed to service the citizens of the City and infrastructure improvements projects.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in the government's finances. Questions concerning the information found in this report or requests for additional financial information should be directed to the Director of Finance, 123 W. Princeton Drive, Princeton Texas 75422.

CITY OF PRINCETON
THE STATE OF TEXAS

BASIC FINANCIAL STATEMENTS

CITY OF PRINCETON
THE STATE OF TEXAS

CITY OF PRINCETON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Total	EDC	CDC
ASSETS					
Cash and cash equivalents	$ 2,628,865	$ 2,697,903	$ 5,326,768	$ 1,241,729	$ 804,661
Receivables, net of allowance for uncollectibles	777,260	1,468,048	2,245,308	123,741	123,741
Inventory	12,116	96,822	108,938	-	-
Prepayments and other assets	21,133	-	21,133	-	-
Restricted assets:					
Cash and cash equivalents	5,120,359	4,212,415	9,332,774	-	-
Notes receivable - component units	1,676,722	-	1,676,722	-	-
Deposits held in trust-GTUA	-	604,082	604,082	-	-
Capital assets not being depreciated					
Land	1,759,675	264,013	2,023,688	982,845	-
Construction in progress	1,673,533	896,004	2,569,537	-	71,022
Capital assets, net of accumulated depreciation:					
Machinery and equipment	1,381,584	600,083	1,981,667	-	-
Buildings and improvements	3,574,101	129,168	3,703,269	-	126,722
Infrastructure	34,253,347	27,316,109	61,569,456	503,434	-
Total Assets	52,878,695	38,284,647	91,163,342	2,851,749	1,126,146
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources-pension	157,620	60,828	218,448	1,421	1,427
Deferred outflows of resources-OPEB	7,357	2,677	10,034	61	61
Deferred loss on bond refunding	-	358,064	358,064	-	-
Total deferred outflow of resources	164,977	421,569	586,546	1,482	1,488
LIABILITIES					
Accounts payable	762,760	571,250	1,334,010	19,245	16,314
Retainage payable	152,083	43,322	195,405	-	-
Accrued expenses	56,149	19,355	75,504	667	667
Accrued liabilities	765	11,528	12,293	-	-
Other liabilities	17,464	22,533	39,997	-	-
Accrued interest payable	70,535	39,015	109,550	-	-
Customer deposits	-	740,024	740,024	-	-
Non-current liabilities:					
Due within one year	864,126	459,866	1,323,992	75,000	43,986
Due in more than one year	18,315,833	8,402,116	26,717,949	1,204,937	362,703
Total Liabilities	20,239,715	10,309,009	30,548,724	1,299,849	423,670
NET POSITION					
Net investment in capital assets	22,926,273	20,496,075	43,422,348	211,279	197,744
Restricted for:					
Debt service	2,336,466	-	2,336,466	-	-
Use of impact fees	2,172,249	3,453,683	5,625,932	-	-
Capital improvements, including PEG fees	1,720,716	-	1,720,716	-	-
Storm water use	-	12,072	12,072	-	-
Court use	103,720	-	103,720	-	-
Tax increment financing	878,209	-	878,209	-	-
Unrestricted	2,666,324	4,435,377	7,101,701	1,342,103	506,220
Total Net Position	$ 32,803,957	$ 28,397,207	$ 61,201,164	$ 1,553,382	$ 703,964

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Program Activities				
Primary Government				
Governmental Activities:				
General government	$ 1,009,624	$ 265,191	$ 49,500	$ -
Public Safety	4,014,770	36,740	219,579	-
Library	169,895	7,379	15,845	-
Public services and operations	1,353,362	2,842,392	-	-
Parks and recreation	706,987	566,573	184,140	647,080
Public works	1,743,261	1,989,613	9,000	8,437,246
Interest on long-term debt	623,667	-	-	-
Total governmental activities	9,621,566	5,707,888	478,064	9,084,326
Business-type Activities:				
Water and sewer	7,343,569	12,320,362	-	1,901,595
Storm water drainage	513,498	359,638	-	3,615,991
Total business-type activities	7,857,067	12,680,000	-	5,517,586
Total primary government	17,478,633	18,387,888	478,064	14,601,912
Component Unit				
Economic Development Corporation	114,099	125,700	-	-
Community Development Corporation	622,605	-	-	-
Total component unit	$ 736,704	$ 125,700	$ -	$ -

General revenues:
Property taxes
Sales taxes
Franchise taxes
Beverage taxes
Investment income
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Cumulative effect of change in accounting principle
Prior period adjustment
Net position - ending

The notes to the financial statements are an integral part of this financial statement.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business Activities	Total	EDC	CDC
$ (694,933)	-	$ (694,933)	$ -	$ -
(3,758,451)	-	(3,758,451)	-	-
(146,671)	-	(146,671)	-	-
1,489,030	-	1,489,030	-	-
690,806	-	690,806	-	-
8,692,598	-	8,692,598	-	-
(623,667)	-	(623,667)	-	-
5,648,712	-	5,648,712	-	-
-	6,878,388	6,878,388	-	-
-	3,462,131	3,462,131	-	-
-	10,340,519	10,340,519	-	-
5,648,712	10,340,519	15,989,231	-	-
-	-	-	11,601	-
-	-	-	-	(622,605)
$ -	$ -	$ -	$ 11,601	$ (622,605)
$ 4,581,813	$ -	$ 4,581,813	$ -	$ -
1,327,813	-	1,327,813	686,764	686,764
338,887	-	338,887	-	-
5,698	-	5,698	-	-
112,237	80,657	192,894	13,892	13,995
28,387	41,261	69,648	-	-
(317,115)	317,115	-	-	-
6,077,720	439,033	6,516,753	700,656	700,759
11,726,432	10,779,552	22,505,984	712,257	78,154
21,135,735	17,633,915	38,769,650	841,125	625,810
(44,685)	(16,260)	(60,945)	-	-
(13,525)	-	(13,525)	-	-
$ 32,803,957	$ 28,397,207	$ 61,201,164	$ 1,553,382	$ 703,964

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Capital Projects Funds	Total
ASSETS				
Cash and cash equivalents	$ 2,013,965	$ -	614,900	$ 2,628,865
Receivables, net of allowance for uncollectibles	530,582	23,165	223,513	777,260
Note receivable - component units	-	1,676,722	-	1,676,722
Prepayments and deposits	21,133	-	-	21,133
Inventory - fuel	12,116	-	-	12,116
Cash and cash equivalents - restricted	820,042	658,304	3,642,013	5,120,359
Total Assets	3,397,838	2,358,191	4,480,426	10,236,455
LIABILITIES				
Accounts payable	285,520	-	477,240	762,760
Retainage payable	-	-	152,083	152,083
Accrued expenditures	56,149	-	-	56,149
Accrued liabilities	18,229	-	-	18,229
Total Liabilities	359,898	-	629,323	989,221
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	47,260	21,725	-	68,985
Unavailable revenue-court	17,035	-	-	17,035
Total Deferred Inflows of Resources	64,295	21,725	-	86,020
Fund Balances				
Nonspendable				
Notes receivable	-	1,676,722	-	1,676,722
Prepaids	21,133	-	-	21,133
Inventory	12,116	-	-	12,116
Restricted for:				
Court use	103,720	-	-	103,720
Public safety	3,681	-	-	3,681
Debt service	-	659,744	-	659,744
PEG	41,862	-	-	41,862
Tax increment financing	878,209	-	-	878,209
Capital improvements	-		3,231,702	3,231,702
Committed to:				
Park improvements	-	-	190,718	190,718
Assigned to:				
Public safety	37,570	-	4,500	42,070
Public works	7,453	-	-	7,453
Development	10,500	-	-	10,500
Parks and recreation	-	-	424,183	424,183
Unassigned	1,857,401	-	-	1,857,401
Total Fund Balance	2,973,645	2,336,466	3,851,103	9,161,214
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 3,397,838	$ 2,358,191	$ 4,480,426	$10,236,455

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total fund balances - governmental funds balance sheet	$ 9,161,214
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Governmental capital assets	50,110,552
Less: accumulated depreciation	(7,468,312)
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Included with amounts related to net pension liability are deferred outflows of resources and deferred inflows of resources that are attributable to the multiple-employer pension plan. Balances at year-end are:	
Bonds payable - General Obligation and Certificates of Obligation	(18,517,432)
Premiums and discounts incurred with issuance of debt - deferred and amortized	(187,202)
Compensated absence balances	(301,063)
Net pension liability	(112,295)
Total OPEB liability	(61,968)
Deferred inflow of resources - pension plan	157,620
Deferred inflow of resources - OPEB	7,357
Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the govenmental funds balance sheet.	(70,535)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	86,021
Net position of governmental activities - statement of net position	$ 32,803,957

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Debt Service	Capital Project Funds	Total Governmental Funds
REVENUE				
Taxes:				
Property	$ 2,847,248	$ 1,749,059	$ -	$ 4,596,307
Sales	1,327,813	-	-	1,327,813
Beverage	5,698	-	-	5,698
Franchise	338,887	-	-	338,887
Fines and forfeitures	383,154	-	-	383,154
Licenses and permits	1,324,778	-	-	1,324,778
Charge for services	1,293,706	-	-	1,293,706
Impact fees	-	-	1,913,383	1,913,383
Franchise fees	247,703	-	-	247,703
Donations	26,162	-	365	26,527
Developer fees	-	-	421,198	421,198
Intergovernmental revenue	269,511	-	1,566,579	1,836,090
Rental income	14,200	-	-	14,200
Investment income	37,952	14,513	59,772	112,237
Miscellaneous	38,489	-	6,400	44,889
Total revenues	8,155,301	1,763,572	3,967,697	13,886,570
EXPENDITURES				
Current:				
General government	992,615	1,512	-	994,127
Public safety	3,760,715	-	-	3,760,715
Library	159,990	-	-	159,990
Public works	661,496	-	-	661,496
Public services and operations	1,329,191	-	-	1,329,191
Parks and recreation	604,104	-	-	604,104
Capital outlays:				
General government	31,318	-	-	31,318
Public safety	1,180,803	-	-	1,180,803
Public services	31,972	-	-	31,972
Public works	147,387	-	6,517,564	6,664,951
Parks and recreation	33,796	-	959,907	993,703
Debt service:				
Principal retirement	86,951	1,046,600	-	1,133,551
Interest	9,610	552,635	-	562,245
Total expenditures	9,029,948	1,600,747	7,477,471	18,108,166
Excess (deficiency) of revenues over expenditures	(874,647)	162,825	(3,509,774)	(4,221,596)
OTHER FINANCING SOURCES (USES)				
Transfers	(157,163)	(172,759)	12,807	(317,115)
Sale of assets	-	-	76,230	76,230
Issuance of capital lease	1,489,406	-	-	1,489,406
Total other financing sources (uses)	1,332,243	(172,759)	89,037	1,248,521
Net change in fund balances	457,596	(9,934)	(3,420,737)	(2,973,075)
Fund balances, beginning as restated	2,516,049	2,346,400	7,285,365	12,147,814
Prior period adjustments	-	-	(13,525)	(13,525)
Fund balances, ending	$ 2,973,645	$ 2,336,466	$ 3,851,103	$ 9,161,214

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	$ (2,973,075)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount of capital outlay during the current period.	8,902,747
Governmental funds focus on current financial resources. Therefore, donations of assets that will be used in operations rather than sold are never reported in governmental funds.	7,548,438
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	(1,462,060)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts and similar items when debt is issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Issuance of debt - capital lease	(1,489,406)
Principal paid - bonds, tax note payable and capital leases payable	1,133,551
Premium and discounts on debt issuance	9,112
Certain expenses related to employee compensation and benefits are reported in the statement of activities but do not require the use of financial resources, and, therefore, are not reported as expenditures in governmental funds:	
Change in compensated absence balances	(49,625)
Change in net pension liability	33,332
Change in total OPEB liability	(9,922)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds	83,340
Change in net position - statement of activities	$ 11,726,432

CITY OF PRINCETON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES-BUDGET TO ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Property	$ 2,327,491	$ 2,647,491	$ 2,847,248	$ 199,757
Sales	1,366,150	1,366,150	1,327,813	(38,337)
Beverage	3,000	3,000	5,698	2,698
Franchise	243,797	243,797	338,887	95,090
Fines and forfeitures	401,065	401,065	383,154	(17,911)
Licenses and permits	863,500	895,300	1,324,778	429,478
Charge for services	1,081,888	1,165,331	1,293,706	128,375
Donations	17,000	17,000	26,162	9,162
Administration fee	247,703	247,703	247,703	-
Intergovernmental revenue	332,308	332,308	269,511	(62,797)
Rental income	18,000	18,000	14,200	(3,800)
Investment income	10,111	10,111	37,952	27,841
Miscellaneous	9,250	26,734	38,489	11,755
Total Revenues	6,921,263	7,373,990	8,155,301	781,311
EXPENDITURES				
Current:				
General Government	869,758	1,089,909	992,615	97,294
Public Safety:				
Police	2,006,833	2,301,992	2,227,575	74,417
Fire	1,283,363	1,537,388	1,533,140	4,248
Library	149,476	167,501	159,990	7,511
Public Works	906,364	752,364	661,496	90,868
Public Services and Operations	1,054,933	1,397,768	1,329,191	68,577
Parks and Recreation	601,471	630,456	604,104	26,352
Capital Outlays				
General Government	-	49,981	31,318	18,663
Police	166,400	350,774	356,024	(5,250)
Fire	577,000	824,783	824,779	4
Public Works	319,095	146,687	147,387	(700)
Public Services and Operations	41,000	35,972	31,972	4,000
Parks and Recreation	35,000	33,796	33,796	-
Debt Service				
Principal	88,624	88,624	86,951	1,673
Interest	9,610	9,610	9,610	-
Total Expenditures	8,108,927	9,417,605	9,029,948	387,657
Excess (deficiency) of revenues over (under) expenditures	(1,187,664)	(2,043,615)	(874,647)	1,168,968
Other Financing Sources (Uses)				
Transfers	-	-	(157,163)	(157,163)
Capital lease proceeds	1,085,495	1,463,068	1,489,406	26,338
Total Other Financing Sources (uses)	1,085,495	1,463,068	1,332,243	(130,825)
Net Change in Fund Balance	(102,169)	(580,547)	457,596	1,038,143
Fund Balance, October 1	2,516,049	2,516,049	2,516,049	
Fund Balance, September 30	$ 2,413,880	$ 1,935,502	$ 2,973,645	

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Water and Sewer	Storm Water Drainage	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,697,903	$ -	$ 2,697,903
Receivables, net of uncollectibles	1,075,152	47,862	1,123,014
Unbilled revenue	345,034	-	345,034
Due from other fund	26,072	-	26,072
Inventory	96,822	-	96,822
Total current assets	4,240,983	47,862	4,288,845
Noncurrent assets:			
Cash and cash equivalents-restricted	4,212,415	-	4,212,415
Deposits held in trust	604,082	-	604,082
Total restricted assets	4,816,497	-	4,816,497
Capital Assets:			
Land	264,013	-	264,013
Buildings	235,326	-	235,326
Infrastructure	27,814,369	4,870,809	32,685,178
Machinery & equipment	988,388	146,202	1,134,590
Construction in progress	896,004	-	896,004
Less: accumulated depreciation	(5,911,280)	(98,454)	(6,009,734)
Total capital assets, net of accumulated depreciation	24,286,820	4,918,557	29,205,377
Total assets	33,344,300	4,966,419	38,310,719
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources-pension	58,127	2,701	60,828
Deferred outflows of resources-OPEB	2,311	366	2,677
Deferred loss on bond refunding	358,064	-	358,064
Total deferred outflow of resources	418,502	3,067	421,569
LIABILITIES			
Current liabilities:			
Accounts payable	556,529	14,721	571,250
Retainage payable	43,322	-	43,322
Accrued liabilities	11,528	-	11,528
Accrued expenses	17,615	1,740	19,355
Other liabilities	22,533	26,072	48,605
Payable from restricted assets:			
Accrued interest payable	39,015	-	39,015
Customer deposits	740,024	-	740,024
Compensated absences - current	2,358	-	2,358
Capital lease payable-current	55,093	-	55,093
Bonds payable - current	298,400	-	298,400
Total current liabilities	1,786,417	42,533	1,828,950
Noncurrent liabilities:			
Net pension and total OPEB liabilities	73,284	(5,042)	68,242
Compensated absences	80,714	1,366	82,080
Capital lease payable	412,971	128,628	541,599
Bonds payable	7,814,210	-	7,814,210
Total noncurrent liabilities	8,381,179	124,952	8,506,131
Total liabilities	10,167,596	167,485	10,335,081
NET POSITION			
Net invested in capital assets	15,706,146	4,789,929	20,496,075
Restricted for:			
Use of impact fees	3,453,683	-	3,453,683
Storm water	-	12,072	12,072
Unrestricted	4,435,377	-	4,435,377
Total Net Position	$ 23,595,206	$ 4,802,001	$ 28,397,207

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Water and Sewer	Storm Water Drainage	Total
OPERATING REVENUES:			
Charges for services	$ 8,697,516	$ 359,638	$ 9,057,154
Intergovernmental revenue	126,700	-	126,700
Miscellaneous	76,929	-	76,929
Total operating revenues	8,901,145	359,638	9,260,783
OPERATING EXPENSES:			
Personal services	1,331,249	167,692	1,498,941
Water purchases	1,370,439	-	1,370,439
Supplies and materials	310,371	18,838	329,209
Maintenance and repair	789,324	32,703	822,027
Lift Station	961,143	-	961,143
Utilities	103,602	-	103,602
Contractual services	1,149,377	215,311	1,364,688
Depreciation	772,504	77,570	850,074
Total operating expenses	6,788,009	512,114	7,300,123
Operating income (loss)	2,113,136	(152,476)	1,960,660
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	80,657	-	80,657
Impact fees	1,680,306	-	1,680,306
Interest expense	(307,857)	(1,384)	(309,241)
Administrative fee	(247,703)	-	(247,703)
Total nonoperating revenues (expenses)	1,205,403	(1,384)	1,204,019
Income (loss) before transfers and capital contributions	3,318,539	(153,860)	3,164,679
Capital Contributions	3,681,767	3,615,991	7,297,758
Transfers	53,194	263,921	317,115
Change in net position	7,053,500	3,726,052	10,779,552
Net Position, beginning	16,555,745	1,078,170	17,633,915
Cumulative effect of change in accounting principle	(14,038)	(2,222)	(16,260)
Net Position, ending	$ 23,595,207	$ 4,802,000	$ 28,397,207

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Water and Sewer	Storm Drainage	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 8,316,724	$ 354,177	$ 8,670,901
Cash paid to other sources	(64,383)	31,385	(32,998)
Cash paid to employees	(1,321,875)	(170,584)	(1,492,459)
Cash paid to suppliers	(4,726,640)	(278,600)	(5,005,240)
Net cash provided (used) by operating activities	2,203,826	(63,622)	2,140,204
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Capital lease proceeds	-	-	-
Transfers from other funds	53,194	263,921	317,115
Net cash provided (used) by non-capital financing activities	53,194	263,921	317,115
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,819,640)	(263,920)	(2,083,560)
Impact fees from developers	1,680,306	-	1,680,306
Principal paid on long-term debt/capital lease	(317,190)	(8,168)	(325,358)
Interest and fees paid on long-term debt	(289,954)	(1,384)	(291,338)
Net cash (used for) capital & related financing activities	(746,478)	(273,472)	(1,019,950)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	80,657	-	80,657
Net cash provided by investing activities	80,657	-	80,657
Net increase (decrease) in cash and cash equivalents	1,591,199	(73,173)	1,518,026
Cash and cash equivalents at beginning of year	5,923,201	73,173	5,996,374
Cash and cash equivalents at end of year	$ 7,514,400	$ -	$ 7,514,400
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$ 2,113,136	$ (152,476)	$ 1,960,660
Adjustment to reconcile operating income to net cash Provided by operating activities			
Depreciation	772,504	77,570	850,074
Administrative fee	(247,703)	-	(247,703)
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(522,280)	(5,460)	(527,740)
Inventory	57,213	-	57,213
Internal balances	(20,309)	31,385	11,076
Increase (decrease) in liabilities:			
Accounts payable	(55,199)	(37,821)	(93,020)
Retainage payable	(41,300)	-	(41,300)
Customer deposits	141,488	-	141,488
Pension/OPEB liabilities	294	(4,633)	(4,339)
Other liabilities	5,982	27,813	33,795
Total adjustments	90,690	88,854	179,544
Net cash provided (used) by operating activities	$ 2,203,826	$ (63,622)	$ 2,140,204
NON-CASH FINANCING ACTIVITIES:			
Contributions of capital assets from developers	$ 3,681,767	$ 3,615,991	$ 7,297,758
Capital lease proceeds	356,773	102,115	458,888
TOTAL NON-CASH FINANCING ACTIVITIES:	$ 4,038,540	$ 3,718,106	$ 7,756,646

The notes to the financial statements are an integral part of this financial statement.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Princeton, Texas ("City") was incorporated in 1912 and has a Council/Manager form of government with a City Council comprised of Mayor and five council members. Some of the services provided are: public safety (police and fire protection), municipal court, streets, water distribution, sewer treatment, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles ("GAAP") for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitles *State and and Local Governments-Audit and Accounting Guide.* The more significant accounting policies of the City are described below:

1. Financial Statement Presentation

The basic financial statements are prepared in conformity with GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type, and activities of its discretely presented component units on the statement of net position and statement of activities. The City's statement of net position includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Management's Discussion and Analysis includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the original adopted and final amended General Fund and Debt Service Fund budget with actual results. The City does not have any Special Revenue funds with legally adopted budgets.

2. Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member council. As required by GAAP, these financial statements present the City (the primary government) and its component units, an entity for which the government is considered to be financially accountable. These discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

* the organization is legally separate (can sue and be sued in their own name);
* the City appoints a voting majority of the organization's board;
* the City is able to impose its will on the organization;
* the organization has the potential to impose a financial benefit/burden on the City; or
* there is fiscal dependency by the organization on the City.

Discretely Presented Component Units - The Economic Development Corporation ("EDC") was incorporated October 1, 2005. The EDC is governed by a seven-member board appointed by and serving at the pleasure of the City Council. The funding for the EDC occurs by the City transferring 1/4 of sales tax revenues collected by the City. The Corporation promotes development of commercial real estate, fosters local prosperity, and offers a competitive advantage for new, relocating, and expanding businesses.

The Community Development Corporation ("CDC") was incorporated July 3, 1997. The CDC is governed by a seven-member board appointed by and serving at the pleasure of the City Council. The funding for the CDC occurs by the City transferring 1/4 sales tax revenues collected by the City. These funds can be used for economic incentives and development and improvement in the quality of life for its citizens.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Reporting Entity (continuing)

Blended Component Unit - The City created Tax Increment Reinvestment Zone #1 (TIRZ) to provide additional financing resources to further enhance development within the zone. The City Council appoints a Board and Board members are removable by the City Council. The TIRZ commended December 2015 and will terminate in December 2045, or at an earlier time designated by subsequent ordinance, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, notes and obligations of the zone have been paid in full. The TIRZ is fiscally dependent on the City, as the City approves their budgets and any debt issuances. The TIRZ qualifies for blending because the Board is the same as the City Council. The TIRZ is reported as a blended component unit of the City and it does not issue separate financial statements.

The fund information for the component units can be found in the supplementary information in this report. There are no separate financial statements issued for the component units.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria to be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

3. Basis of Presentation, Basis of Accounting

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements; the focus is either the City as a whole or major individual funds (within the fund financial statements). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, and c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly excluded among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, and interest income).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements. The major governmental funds are the General Fund, Debt Service Fund, and Capital Improvement Funds. The major proprietary funds are the Water and Sewer Fund and the Storm Drainage Fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal year. The focus of the fund financial statements is on the major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Basis of Presentation, Basis of Accounting *(continued)*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary funds. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position and the operating statements present increase (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, in other words, as soon as they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligation has matured and is due and payable shortly after year end as required by GASB Interpretation No. 6.

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measureable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (revenues) and decreased (expenses) in net total position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer and storm water drainage are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The focus of governmental fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds:

The *General Fund* accounts for several primary services (e.g., police, fire, public works, library, parks and recreation) and is the primary operating unit of the City.

The Debt Service *Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Improvement Funds* account for the financing and improvements/construction of buildings and infrastructure including streets and sidewalks. Funds are provided primarily through bond sales and interest earnings and planned as part of the City's capital improvement plan.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Measurement Focus, Basis of Accounting (continued)

The focus of proprietary funds measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. The following is a description of the Proprietary Funds of the City:

The *Water and Sewer Fund* accounts for the operations of the City's water and sewer utilities. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. All costs are financed through charges made to utility customers with rates reviewed annually.

The *Storm Water Drainage Fund* accounts for the City's storm water development and maintenance to the residents of the City.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City pools cash from all fund types (excluding certain restricted assets that are considered cash and cash equivalents) to increase the amount of funds available for investment. Investments held by the City that have a remaining maturity of greater than one year from purchase are carried at fair value. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool. Each fund may liquidate its equity in the pool on demand.

Investments are recorded at amortized cost when original maturity at the time of purchase is less than one year or at market if greater than one year.

b. Receivable and Payable Balances

Trade and property tax receivables are shown net of an allowance for uncollectible.

Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

c. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of the other governments, or are imposed by law through constitutional provisions or enabling legislation. Certain proceeds of the proprietary fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Additionally, customer deposits received for water and wastewater services are classified as restricted assets.

d. Inventory

Inventory of supplies are maintained at the City. These inventories are valued at cost using the first in/first out (FIFO) inventory method. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased.

e. Prepayments and Deposits

Certain payments to vendors reflect costs applicable to future accounting periods and are recognized as prepayments and deposits in both the government-wide and fund financial statements. The cost of these items is recorded as expenditures/expenses when consumed/provided rather than when paid.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (*continued)*

f. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Contributed capital assets are recorded at acquisition value as of the time received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Management elected not to retroactively report infrastructure assets within the scope of GASB Statement No. 34.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Years
Infrastructure	30-45
Buildings and Improvements	15-45
Machinery and equipment	5-10

g. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The City has the following items that qualify for reporting in this category: (a) deferred charges on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt; (b) pension and OPEB contributions after measurement date that are deferred and recognized in the following fiscal year; (c) the difference in projected and actual earnings on pension assets that is deferred and amortized over a closed five-year period; and (d) the difference between expected and actual pension and OPEB experience that is deferred and amortized.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies in this category: the difference in expected and actual pension experience. This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

h. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and overtime not paid (comp time) benefits. A liability for unpaid accumulated compensated absences is recorded in relation to these amounts in the government-wide and proprietary financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

i. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

j. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

Nonspendable fund balance - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted fund balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - amounts that can only be used for specific purposes determined by a resolution of the City's highest level of decision-making authority (the Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance - amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making (the Council), or by the City Manager. This is also the classification for residual funds in the City's special revenue funds.

Unassigned fund balance - the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by the committed, assigned and unassigned resources as they are needed.

A summary of the City's fund balance policy as adopted by the Council follows:

The City believes that adequate levels of fund balance are essential in mitigating financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. In order to comply with GASB 54, the City's fund balances now focus on "the extent to which the government is bound to honor constraints on specific purposes for which amounts in the fund can be spent." The goal is to maintain a minimum unassigned fund balance in the General Fund equal to 90 days of total expenditures, with 8.34% or less being cause for concern. At the end of fiscal year 2018, the City is not in compliance with this minimum fund balance policy and steps have been taken in the FY2019 to increase fund balance.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

k. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied

l. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

m. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. Federal grants are from various federal agencies, and are accounted for in both the governmental and proprietary funds.

n. Pensions

In government-wide financial statements, retirement plans (pension) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension expenditures in the governmental fund statements which use the modified accrual basis of accounting.

In general, the City recognizes a net pension liability that represents the City's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Texas Municipal Retirement System ("TMRS"). The net pension liability is measured as of December 31, 2014. Changes in the net pension liability are recorded as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) will be amortized over the weighted average remaining service life of all participants and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability, pension related deferred inflows/outflows of resources, and pension expense, City specific information about its Fiduciary Net Position in TMRS and additions to/deductions from the City's Fiduciary Net Position have been determined on the basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Information regarding the City's Total Pension Liability and Total OPEB Liability is obtained from TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, incompliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows/outflows and will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed five-year period of recognition.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (*continued)*

o. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to $2.50 per $100 assessed valuation. For the fiscal year September 30, 2018, the City had a tax rate of $0.68989 per $100 assessed valuation based upon the maximum rates described above.

p. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statements in order to provide an understanding of budget to actual. Also, certain prior year balances have been reclassified in order to be consistent with the current year's presentation.

q. Interfund Activity

Interfund activity results from loans, services provided, and reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide Statement of Net Position.

r. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

s. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (*continued)*

t. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None	n/a

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Violation	Action Taken
None	n/a

3. Budgets and Budgetary Accounting

The City adopts budgets for the General Fund and Debt Service Fund annually for the primary government. All appropriations are legally controlled at the fund level. The City is required to present the adopted and final amended budget revenues and expenditures. The General Fund budget appears in the basic financial statement section and other informational budgets are presented in the supplemental information section.

The following procedures are followed in establishing the budgetary data:

- The Mayor submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance.
- Total estimated expenditures of the General Fund and Debt Service Fund are to be budgeted.
- The level of control (the level at which expenditures may not exceed budget) is the fund level. The City Manager and/or Director of Finance are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

C. DEPOSITS AND INVESTMENTS

Pursuant to provisions of both the Texas Public Funds Investment Act (PFIA) and the Public Funds Investment Policy of the City, all deposits of the City that exceed the federal depository insurance coverage level are collateralized by securities held by a third party custodian and pledged to the City in an amount not less than 102% (on a market value basis) of the City's deposit of public funds and any accrued interest.

Cash Deposits
At September 30, 2018, the carrying amount of the City's demand deposits was $3,669,014 and the bank balance was $4,326,990. The City's cash deposits at September 30, 2018 and during the year ended September 30, 2018, were entirely covered by FDIC plus pledged collateral held by the City's agent bank in the City's name. Monthly collateral value reports are received from the bank as required by the City's investment policy.

Cash and cash equivalents as of September 30, 2018 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Cash and Cash Equivalents	$ 5,326,768
Restricted cash and cash equivalents	9,332,774
Total cash and cash equivalents	$ 14,659,542
Governmental - Restricted Cash	
Police seizure	$ 3,681
Debt service	658,304
Capital improvement	4,458,374
Total cash and cash equivalents	$ 5,120,359
Business-type- Restricted Cash	
Customer Deposits	$ 558,518
Debt Service	65,118
Capital projects	3,588,779
Total cash and cash equivalents	$ 4,212,415
Total Restricted Cash	$ 9,332,774

Investments
The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies. Portfolio disclosures as of September 30, 2018 are as follows:

- All pledged collateral was held by an independent institution outside the bank's holding company and
- the portfolio contained no repurchase agreements

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making an election to measure all of its investments at amortized cost. The City does not have any limitations or restrictions on withdrawal.

Credit Risk
A primary stated objective of the City's adopted investment policy is the safety of principal and avoidance of principal loss. Credit risk within the City's portfolio among the authorized investments approved by the City's adopted investment policy includes only time and demand deposits, repurchase agreements, non-rated SEC register money market mutual funds, and commercial paper. All other investments are rated no lower than AAA or AAA-m, or equivalent, by at least one nationally recognized rating agency. Investments are made primarily in obligations of the U.S. Government, its agencies, or instrumentalities.

C. DEPOSITS AND INVESTMENTS

Credit Risk (continued)

State law and the City's adopted investment policy restricts investment in SEC registered mutual funds to money market funds striving to maintain a $1 net value and defined by state law. Neither the state law nor the policy requires a rating.

As of September 30, 2018, the City had the following investments:

Investment Type	Amount	Average Maturity	Minimum Legal Rating	Rating at Year End
TexPool	$ 8,867,189	37	N/A	AAA-m
TexSTAR	1,618,589	40	N/A	AAA-m
	$10,485,778			

TexSTAR is administered by First Southwest Asset Management Inc. and JP Morgan Chase. Together, these organizations bring to the TexSTAR program the powerful partnership of two leaders in financial services with a proven track record in local government investment pool management. TexSTAR is a local government investment cooperative created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity, and competitive yield. The fund is rated AAAm by Standard & Poor's.

The Texas Local Investment Pool is a local government investment pool which operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This type of investment pool uses amortized costs rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool. The Texas Local Government Investment Pool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is governed by an Advisory Board composed equally of participants in the pool and other persons who do not have a business relationship with the Pool who are qualified to advise the Pool.

The State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAm by Standard and Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poor's, as well as the office of the Comptroller for public review.

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, the City's adopted investment policy sets a maximum stated maturity limit of three years. The dollar-weighted maturity allowed based on the stated maturity date for the portfolio is 270 days. Investment maturities for the debt service interest and sinking funds and/or other types of reserve funds, whose use is never anticipated, may not exceed three years.

Concentration of Credit Risk

The City recognizes over-concentration of assets by market sector or maturity is a risk to the portfolio. The City's adopted investment policy establishes diversification as a major objective of the investment program and set diversification limits for all authorized investment types which are monitored on at least a monthly basis.

Diversification limits are set by policy as:

	% of portfolio
US Treasury Obligation	100%
US Government Agency Securities & Instrumentalities of Government-sponsored corporations	80%
Authorized local government investment pools	100%
Full collateralized certificates of deposit	50%
SEC-regulated no-lead money market mutual funds	10%

C. DEPOSITS AND INVESTMENTS

Concentration of Credit Risk (continued)

As of September 30, 2018, holdings in two local government investment pools represented 75% of the total portfolio.

Custodial Credit Risk

To control custody and safekeeping risk, state law and the City's adopted investment policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the City and held in the City's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of US Financial Institutions Resource and Recovery Enforcement Act (FIRREA). The counter-party of each type of transaction is held contractually liable for monitoring and maintaining the required collateral margin on a daily basis.

D. RECEIVABLES

Receivables as of year end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Capital Improvements	Debt Service	Water/Sewer	Storm Water Drainage	Total
Receivables:						
Taxes	$ 367,831	$ -	$ 25,739	$ -	$ -	$ 393,570
Fees and Charges	1,401,373	-	-	1,488,661	47,862	2,937,896
Other	85,013	223,513	-	83,776	-	392,302
Gross Receivables	1,854,217	223,513	25,739	1,572,437	47,862	3,723,768
Less: allowances for uncollectible	(1,323,635)	-	(2,574)	(152,251)	-	(1,478,460)
Net Total Receivables	$ 530,582	$ 223,513	$ 23,165	$ 1,420,186	$ 47,862	$ 2,245,308

The Proprietary Fund accounts receivable includes unbilled charges for services of $316,869 rendered as of fiscal year end.

E. NOTE RECEIVABLE

The Community Development Corporation agreed to pay a portion of the City's 2016 Certificates of Obligation by remitting to the City from the receipts of local sales and use taxes received by the Corporation.

	Beginning Balance	Additions	Decreases	Ending Balance	Due Within One Year
Note receivable-CDC	$ 445,708	$ -	$ (43,986)	$ 401,722	$ 43,199

Requirements as follows:

Year Ending Sept 30	Payment
2019	$ 43,199
2020	42,333
2021	37,940
2022	35,245
2023	35,910
2024-2028	171,395
2029	35,700
	$ 401,722

E. NOTE RECEIVABLE *(continued)*

The Economic Development Corporation agreed to pay a portion of the City's 2011 General Obligation Refunding Bonds to the City from the receipts of local sales and use taxes received by the Corporation.

	Beginning Balance	Additions	Decreases	Ending Balance	Due Within One Year
Note receivable-EDC	$ 1,350,000	$ -	$ (75,000)	$ 1,275,000	$ 75,000

Requirements as follows:

Year Ending Sept 30	Payment
2019	$ 75,000
2020	75,000
2021	75,000
2022	75,000
2023	75,000
2024-2028	375,000
2029-2033	375,000
2034-2035	150,000
	$ 1,275,000

F. CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2018 was as follows:

Governmental Activities	Beginning Balances	Additions/ Transfers	Decreases/ Transfers	Ending Balances
Capital assets, not being depreciated				
Land	$ 866,816	$ 892,859	$ -	$ 1,759,675
Construction in Progress	7,384,783	6,096,669	(11,807,919)	1,673,533
Total capital assets, not being depreciated	8,251,599	6,989,528	(11,807,919)	3,433,208
Capital assets, being depreciated:				
Buildings & Improvements	1,600,231	2,795,408	-	4,395,639
Infrastructure	19,993,958	16,353,371	-	36,347,329
Parks & Improvements	1,420,959	959,383	-	2,380,342
Machinery & Vehicles	2,271,488	1,312,749	(30,202)	3,554,035
Total capital assets being depreciated	25,286,636	21,420,911	(30,202)	46,677,345
Less accumulated depreciation for:				
Buildings & Improvements	(748,097)	(73,441)	-	(821,538)
Infrastructure	(3,018,023)	(1,008,055)	-	(4,026,078)
Parks & Improvements	(366,075)	(82,171)	-	(448,246)
Machinery & Vehicles	(1,904,260)	(298,393)	30,202	(2,172,451)
Total accumulated depreciation	(6,036,455)	(1,462,060)	30,202	(7,468,313)
Total capital assets, being depreciated, net	19,250,181	19,958,851	-	39,209,032
Governmental activities capital assets, net	$ 27,501,780	$ 26,948,379	$(11,807,919)	$ 42,642,240

F. CAPITAL ASSETS *(continued)*

Business-type Activities	Beginning Balances	Additions/ Transfers	Decreases/ Transfers	Ending Balances
Capital assets, not being depreciated				
Land	$ 180,353	$ 83,660.00	$ -	$ 264,013
Construction in Progress	2,475,014	1,454,557	(3,033,567)	896,004
Total capital assets, not being depreciated	2,655,367	1,538,217	(3,033,567)	1,160,017
Capital assets, being depreciated:				
Buildings & Improvements	235,326	-	-	235,326
Infrastructure	21,820,077	10,867,921	-	32,687,998
Machinery & Vehicles	664,135	470,455	-	1,134,590
Total capital assets being depreciated	22,719,538	11,338,376	-	34,057,914
Less accumulated depreciation for:				
Buildings & Improvements	(100,570)	(5,588)	-	(106,158)
Infrastructure	(4,626,148)	(745,741)	-	(5,371,889)
Machinery & Vehicles	(435,760)	(98,747)	-	(534,507)
Total accumulated depreciation	(5,162,478)	(850,076)	-	(6,012,554)
Total capital assets, being depreciated, net	17,557,060	10,488,300	-	28,045,360
Business-type activities capital asset, net	$ 20,212,427	$ 12,026,517	$ (3,033,567)	$ 29,205,377

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	$ 11,761
Public Services	21,918
Public Safety	117,364
Public Works, including depreciation of general infrastructure assets	1,200,452
Parks and Cultural	110,565
Total depreciation expense - governmental activities	$ 1,462,060
Business-type activities:	
Water and Sewer	$ 772,506
Storm Water	77,570
Total depreciation expense - business-type activities	$ 850,076

The City and management did not take note of any significantly impaired capital assets that are idle at the end of the current fiscal year.

G. CONSTRUCTION COMMITMENTS

The City has active construction projects as of September 30, 2018. The projects include building construction, street infrastructure and improvements, and water/sewer infrastructure improvements. At fiscal year-end, the City's commitments with contractors are as follows:

Project Description	Project Budget Appropriation	Spent to Date	Remaining Commitment
Disc Golf Course	$ 24,688	$ 21,333	$ 3,355
Parkview Heights Park	485,038	342,626	142,412
Veteran's Mem Park Improv	100,000	15,273	84,727
Caldwell Park Improv	50,000	7,903	42,097
City Hall - design	135,000	136,088	(1,088)
Monte Carlo Blvd	296,105	197,785	98,320
San Remo round-about	100,000	38,128	61,872
Cherry Street	541,667	539,667	2,000
CR400/FM546	224,000	144,543	79,457
Briar Grove	215,865	209,640	6,225
CR 1219	106,400	6,400	100,000
Total Governmental	2,278,763	1,659,386	619,377
Peachtree sewer line	475,000	875,501	(400,501)
Water Line-College St	49,000	20,503	28,497
Total Business-type	524,000	896,004	(372,004)
TOTAL	$ 2,802,763	$ 2,555,390	$ 247,373

H. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2018, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
General obligations bonds & Certificates of Obligation	$ 17,367,200	$ -	$ (476,600)	$ 16,890,600	$ 541,600
Plus: for bond premiums	345,663	-	(18,779)	326,884	18,779
Less: for bond discounts	(149,348)	-	9,666	(139,682)	(9,666)
Tax anticipation note	570,000	-	(570,000)	-	-
Total Bonds Payable	18,133,515	-	(1,055,713)	17,077,802	550,713
Capital lease payable	224,376	1,489,406	(86,950)	1,626,832	283,926
Compensated absences	263,770	212,980	(175,687)	301,063	29,487
Net pension and total OPEB liabilities	311,936	-	(137,674)	174,262	-
Governmental activity Long-term Debt	$ 18,933,597	$ 1,702,386	$ (1,456,024)	$ 19,179,959	$ 864,126

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
General obligations bonds & Certificates of Obligation	$ 8,012,800	$ -	$ (298,400)	$ 7,714,400	$ 313,400
Plus: for bond premiums	441,734	-	(21,264)	420,470	21,264
Less: for bond discounts	(24,734)	-	2,474	(22,260)	(2,474)
Total Bonds Payable	8,429,800	-	(317,190)	8,112,610	332,190
Capital lease payable	145,972	505,813	(55,093)	596,692	125,318
Compensated absences	79,975	38,642	(34,179)	84,438	2,358
Net pension and total OPEB liabilities	118,336	-	(50,094)	68,242	-
Business-type activity Long-term Debt	$ 8,774,083	$ 544,455	$ (456,556)	$ 8,861,982	$ 459,866

H. LONG-TERM OBLIGATIONS (continued)

Compensated absences

Compensated absences represent the estimated liability for employees' accrued vacation leave and comp time for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund or Proprietary Fund, based on the assignment of an employee at date of termination.

Changes in Governmental Long-term Debt

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30, 2017	Issued	Retired	Amounts Outstanding September 30, 2018	Due Within One Year
2009 Series, CO	4.13%	$ 4,315,000	$ 3,930,000	$ -	$ (105,000)	$ 3,825,000	$ 110,000
2011 Series, GO	2.00%	1,439,500	762,200	-	(66,600)	695,600	66,600
2013 Tax Note	1.90%	1,360,000	570,000	-	(570,000)	-	-
2014 Series, CO	2.50%	1,285,000	1,205,000	-	(55,000)	1,150,000	55,000
2015 Series, CO	2.50%	3,245,000	3,085,000	-	(130,000)	2,955,000	130,000
2016 Series, CO	2.00%	8,465,000	8,385,000	-	(120,000)	8,265,000	180,000
Total Bonds Payable		20,109,500	17,937,200	-	(1,046,600)	16,890,600	541,600
Capital lease - BB&T		1,489,406	-	1,489,406	-	1,489,406	199,007
Capital lease - Ford		29,809	18,355	-	(5,848)	12,507	6,114
Capital lease - EM/Unit		50,001	28,949	-	(17,047)	11,902	11,902
Capital lease - Ford		100,001	68,531	-	(33,636)	34,895	34,895
Capital lease - F150 & Explorer		51,167	37,566	-	(11,831)	25,735	12,509
Capital lease - F150		32,650	24,053	-	(7,537)	16,516	8,008
Capital lease - F350 & Gator		59,647	46,922	-	(11,051)	35,871	11,491
Totals		$ 21,922,181	$ 18,161,576	$ 1,489,406	$ (1,133,550)	$ 18,517,432	$ 825,526

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2019	$ 541,600	$ 534,035	$ 1,075,635
2020	551,600	518,984	1,070,584
2021	764,200	500,604	1,264,804
2022	785,500	479,474	1,264,974
2023	809,200	457,437	1,266,637
2024-2028	4,389,500	1,916,905	6,306,405
2029-2033	5,164,000	1,150,776	6,314,776
2034-2038	3,595,000	326,466	3,921,466
2039	290,000	7,613	297,613
Totals	$ 16,890,600	$ 5,892,294	$ 22,782,894

$1,439,500 of Series 2011 General Obligation Refunding Bonds issued May 23, 2011 for the purpose of refinancing the Series 2008 General Obligation Bonds and the Series 2010 Tax and Revenue Certificates of Obligation.

$4,315,000 of Series 2009 Combination Tax and Surplus Revenue Certificates of Obligation were issued August 25, 2009 for the purpose of construction and improvements of streets.

$1,285,000 of Series 2013 tax notes were issued August 16, 2013 for the purpose of street improvements. Note paid in full in February 2018.

$1,360,000 of Series 2014 Combination Tax and Surplus Revenue Certificates of Obligation were issued October 23, 2014 to finance water and sewer system improvements and street improvements.

H. LONG-TERM OBLIGATIONS

Changes in Governmental Long-term Debt (continued)

$2,345,000 of Series 2015 Combination Tax and Surplus Revenue Certificates of Obligation were issued October 23, 2015 to pay the City's contractual obligations to be incurred in connection with the design, construction, engineering, and equipping of improvements to infrastructure and buildings.

$8,465,000 of Series 2016 Combination Tax and Surplus Revenue Certificates of Obligation were issued October 24, 2016 for the design, construction, engineering, and equipping of (1) constructing and improving new and existing streets and roads, sidewalks and related signage and lighting; expansion of Public Works facility; design costs for new City Hall; park improvements including trail improvements; and (2) paying costs and fees associated with projects and issuance of bonds.

Changes in Business-type Long-term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30, 2017	Issued	Retired	Amounts Outstanding September 30, 2018	Due Within One Year
2007 Series, GO	4.00%	$ 1,275,000	$ 800,000	$ -	$ (55,000)	$ 745,000	60,000
2007 Series, CO	4.00%	8,250,000	950,000	-	(190,000)	760,000	200,000
2011 Series, GO	2.00%	490,500	267,800	-	(23,400)	244,400	23,400
2015 Series, GO	3.00%	6,100,000	5,995,000	-	(30,000)	5,965,000	30,000
Total Bonds Payable		16,115,500	8,012,800	-	(298,400)	7,714,400	313,400
Capital lease - BB&T		505,813	-	505,813	-	505,813	67,758
Capital lease - Caterpillar		103,842	42,030	-	(20,756)	21,274	21,274
Capital lease - Ford		29,809	18,355	-	(5,848)	12,507	6,114
Capital lease - F350		41,988	25,237	-	(7,927)	17,310	8,403
Capital lease - Camera		51,457	25,669	-	(12,394)	13,275	13,275
Capital lease - F350		44,087	34,681	-	(8,168)	26,513	8,494
Totals		$ 16,892,496	$ 8,158,772	$ 505,813	$ (353,493)	$ 8,311,092	$ 438,718

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2019	$ 313,400	$ 285,866	$ 599,266
2020	328,400	271,722	600,122
2021	345,800	256,634	602,434
2022	354,500	241,832	596,332
2023	365,800	228,739	594,539
2024-2028	2,020,500	944,622	2,965,122
2029-2033	1,821,000	594,589	2,415,589
2034-2038	2,165,000	221,444	2,386,444
Totals	$ 7,714,400	$ 3,045,448	$ 10,759,848

$1,275,000 Series 2007 General Obligation Refunding Bonds were issued December 11, 2007 for the purpose of refinancing the $1,275,000 Series 2003.

$8,250,000 Series 2007, Combination Tax and Surplus Revenue Certificates of Obligation were issued December 11, 2007 for the purpose of acquiring, constructing, and installing additions and improvements to the waterworks and sanitary sewer system.

$490,500 Series 2011, General Obligation Refunding Bonds were issued May 23, 2011 for the purpose of refinancing the Series 2008 General Obligation Refunding Bonds.

H. LONG-TERM OBLIGATIONS

Changes in Business-type Long-term Debt (continued)

$6,100,000 Series 2015, General Obligation Refunding Bonds were issued October 28, 2015. These proceeds were used to advance refund $5,930,000 of outstanding Series 2007 General Obligation Refunding Bonds which had an interest rate of 4.00%. The net proceeds of $6,227,204 (including a $378,255 premium and after payment of $134,925 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, $5,930,000 of Series 2007 debt is considered defeased and that amount of the liability for those bonds has been removed from the statement of net position. The Series 2007 bonds still have $950,000 of non-refunded debt recorded on the statement of net position at September 30, 2018. The reacquisition price exceeded the net carrying amount of the old debt by $127,204. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The City advance refunded Series 2007 General Obligation Refunding Bonds to reduce its total debt service payments over 22 years by $1,270,735 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $893,533.

I. COMMITMENTS

CONTRACTUAL OBLIGATIONS WITH GREATER TEXOMA UTILITY AUTHORITY

Under the terms of long-term water supply and sewer service contracts between the City and Greater Texoma Utility Authority (GTUA), the City recognizes that GTUA has an undivided ownership interest in the City's water system and sewer collection and treatment facility equivalent to the percentage of the total cost of the facility provided by GTUA through the issuance of GTUA certificates of obligation.

The City has contractual obligation to make payments specified by the contract to GTUA to pay the principal and interest on the bonds, maintain a Reserve Fund for the security and payment of bonds similarly secured, pay the administrative and overhead expenses of GTUA directly attributable to the certificates of obligation, and pay any extraordinary expenses incurred by GTUA in connection with the debt. Under terms of the contracts, the City's obligation to make payments to GTUA, as well as GTUA's ownership interest in the facilities, terminates when all of GTUA's bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding.

The City's obligation to GTUA for the current fiscal year was $574,876. This is recorded as maintenance and operating expense in the Water and Sewer Fund.

Minimum contractual commitments to be paid to GTUA by the City are as follows:

Year Ending September 30:	Requirement
2019	$ 906,023
2020	904,482
2021	906,152
2022	905,501
2023	905,429
2024-2028	4,519,982
2029-2033	4,523,185
2034-2038	4,521,835
2039-2043	4,521,210
2044-2048	4,518,835
TOTAL	$ 27,132,634

J. CAPITAL LEASES

Governmental activities:
The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in July 2013 in the amount of $43,000 for the purchase of 2013 Dodge Charger with video and police uplifts. The lease was paid in full in July 2017.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in September 2013 in the amount of $121,000 for the purchase of three 2013 Dodge Chargers with video and police uplifts. The lease is to be repaid over four years with an interest rate of 3.548%. This lease matures in September 2018.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in January 2013 in the amount of $100,861 for the purchase of two 2013 Ford F450 trucks and one generator. This lease was paid in full in March 2017.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in February 2015 in the amount of $59,618 for a Ford vehicle. This lease is to be repaid over four years with an interest rate of 4.5% and is allocated evenly between the governmental and business-type debt. The lease matures in October 2019.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in July 2016 in the amount of $32,650 for the purchase of an F150 truck. The lease is to be repaid over four years with an interest rate of 6.2%. The lease matures in October 2019.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in April 2016 in the amount of $50,001 for the purchase of an EMV Unit. The lease is to be repaid over four years with an interest rate of 5.56%. The lease matures in May 2019.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in April 2016 in the amount of $100,001 for the purchase of two Ford vehicles. The lease is to be repaid over four years with an interest rate of $3.69%. The lease matures in July 2019.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in July 2017 in the amount of $103,734 for the purchase of two F350 trucks and one Gator 4x4. One truck and Gator is paid from governmental funds and one truck is paid from proprietary funds. This lease is to be repaid over five years with an interest rate of 4.163%. It will be paid in full in July 2021.

The City entered into a capital lease agreement with BB&T in November 2017 in the amount of $1,995,219 of which the General Fund is responsible for $1,502,142 for the purchase of vehicles and equipment for Fire, Police, Parks, Development, Streets, and Facilities departments. This lease is to be repaid over seven years with an interest rate of 2.2% with the first payment coming due in November 2018 and every fiscal year after than in annual installments until paid in full in FY2025. However, this lease may be paid in full at any time after FY2022.

Capital Lease obligations are as follows:

Year ending September 30:	Annual Lease Payments
2019	$ 319,425
2020	274,300
2021	245,423
2022	232,995
2023	232,995
Thereafter	465,989
Total minimum lease payments	1,771,127
Less amounts representing interest	(144,295)
resent value of net minimum payments	$ 1,626,832

J. CAPITAL LEASES *(continued)*

Business-type activities:
The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in November 2014 in the amount of $103,842 for the purchase of equipment. This lease is to be repaid over five years with an interest rate of 2.5%. The lease matures in November 2019.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in February 2015 in the amount of $59,618 for a Ford vehicle. This lease is to be repaid over four years with an interest rate of 4.5% and is allocated evenly between the governmental and business-type debt. The lease matures in October 2019.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in April 2016 in the amount of $41,986 for the purchase of an F350 truck. The lease is to be repaid in five years with an interest rate of 7.10%. The lease matures in May 2020.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in March 2016 in the amount of $51,547 for the purchase of a sewer camera. The lease is to be repaid over four years with an interest rate of 7.10%. The lease matures in March 2019.

The City entered into a capital lease agreement with First Capital Equipment Leasing Co. in July 2017 in the amount of $103,734 for the purchase of two F350 trucks and one Gator 4x4. One truck is paid from governmental funds and one truck and the Gator is paid from proprietary funds. This lease is to be repaid over five years with an interest rate of 4.163%. It will be paid in full in July 2021.

The City entered into a capital lease agreement with BB&T in November 2017 in the amount of $1,995,219 of which the Proprietary Funds are responsible for $493,077 for the purchase of vehicles and equipment for Water, Sewer, and Storm Drainage departments. This lease is to be repaid over seven years with an interest rate of 2.2% with the first payment coming due in November 2018 and every fiscal year after than in annual installments until paid in full in FY2025. However, this lease may be paid in full at any time after FY2022.

Capital Lease obligations are as follows:

Year ending September 30:	Annual Lease Payments
2019	$ 140,602
2020	104,584
2021	88,460
2022	78,908
2023	78,908
Thereafter	135,647
Total minimum lease payments	627,109
Less amounts representing interest	(30,417)
resent value of net minimum payments	$ 596,692

K. OPERATING LEASES

The City leases the building that houses City Hall, utility billing, and management offices and a building for Parks and Recreation, Development/Code and Community Relation offices. The total cost for these leases for the current fiscal year were current fiscal year was $131,304. The other operating leases that the City is under obligation for relate to office equipment, web services, and internet services. The future minimum lease payments for these leases are as follows:

FYE Sept 30	Building	Office Eqpt & Services
2019	$ 148,104	$ 8,608
2020	148,104	8,608
2021	148,104	8,608
2022	148,104	7,883
2023	148,104	1,793
	$ 740,520	$ 35,500

L. PENSION PLAN

1. Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS, an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code ("TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report ("CAFR") that can be obtained at www.tmrs.org.

All eligible employees of the City are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the City Council, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their treatment benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his or her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

When these liabilities are liquidated for governmental activities, the General Fund will be primarily responsible.

L. PENSION PLAN

2. Benefits Provided (continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year	
	2018	2017
Employee deposit rate	7.00%	7.00%
Matching Ratio (City to Employee):	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating
Supplemental Death Benefit to Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

The City also participates in Social Security.

Amortization Bases and Payments

Year Established	Description	Years Remaining	Base	Payment
2013	2013 Valuation (Fresh Start)	26	$ 426,136	$ 25,545
2014	2014 Experience	26	(105,129)	(6,302)
2015	2015 Experience	26	(85,811)	(5,144)
2015	2015 Actuarial Changes	28	8,995	516
2016	2016 Experience	24	109,477	6,896
2017	2017 Experience	25	50,342	3,091
			$ 404,010	$ 24,602

Employees covered by benefit terms:
At December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

	Plan Year	
Number of:	2016	2017
Inactive employees or beneficiaries currently receiving benefits	16	17
Inactive employees entitled to but not yet receiving benefits	27	25
Active employees	60	71
Total	103	113

3. Contributions

The contribution rates for the employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City's matching percentages are either 100%, 150%, or 200%, both as adopted by the City Council. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal ("EAN") actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.61% and 10.86% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2018 were $441,024 and were equal to the required contributions.

L. PENSION PLAN

4. Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2017, and the Total Pension Liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions:
The TPL in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	3.50% to 10.50% including inflation
Investment rate of Return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year-set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017, were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative assets allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
	100.0%	

L. PENSION PLAN *(continued)*

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016	$ 5,248,884	$ 4,814,701	$ 434,183
Service cost	588,068	-	588,068
Interest (on the total pension liability)	365,981	-	365,981
Difference between expected and actual experience	-	-	-
Changes of assumptions	43,938	-	43,938
Benefit payments, including refunds of employee contributions	(241,953)	(241,953)	-
Contributions - employer	-	368,823	(368,823)
Contributions - employee	-	242,288	(242,288)
Net investment income	-	666,064	(666,064)
Administrative expense	-	(3,458)	3,458
Other	-	(175)	175
Net changes	756,034	1,031,589	(275,555)
Balance at December 31, 2017	$ 6,004,918	$ 5,846,290	$ 158,628

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$ 1,220,174	$ 158,628	$ (684,416)

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

5. Pension Expense and deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of $371,112.

At September 30, 2018, the City reported deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual economic experience	$ 40,429	$ -
Changes in actuarial assumptions	1,789	-
Difference between projected and actual investment earnings	-	150,825
Contributions subsequent to the measurement date	338,307	-
	$ 380,525	$ 150,825

L. PENSION PLAN

5. Pension Expense and deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

$338,307 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense as follows:

Net deferred outflows (inflows) of resources: December 31	
2019	$ (2,341)
2020	1,897
2021	(50,085)
2022	(59,766)
2023	1,688
Thereafter	-
Total	$(108,607)

M. OTHER POSTEMPLOYMENT BENEFITS

1. Plan Description

The City participates in a defined benefit group-term life insurance plan that is administered by TMRS known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire career.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

When these liabilities are liquidated for governmental activities, the General Fund will be primarily responsible.

2. Benefits Provided

Employees covered by benefit terms:
At December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Membership *	Plan Year
Number of:	2017
Inactive employees currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	3
Active employees	71
Total	86

* Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.).

There are no assets accumulted in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

M. OTHER POSTEMPLOYMENT BENEFITS (continued)

Changes in the Total OPEB Liability

Total OPEB Liability - beginning of year	$ 68,952
Changes for the year	
Service cost	7,269
Interest on total OPEB liability	2,731
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	7,271
Benefit payments **	(692)
Net changes	16,579
Total OPEB Liability - end of year	$ 85,531

** Due to the SDBF being considered an unfunded OPEB plan under GASB75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

	1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB Liability	$ 104,801	$ 85,531	$ 70,959

OPEB Expense:	
Service cost	7,269
Interest on total OPEB liability	2,731
Changes in benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience [1]	-
Changes in assumptions or other inputs [2]	963
Total OPEB Liability - end of year	$ 10,963

Schedule of Outflows and Inflows - Current and future expense

	Deferred (Inflow) of Resources	Deferred Outflow of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions and other inputs	-	6,308
Contributions subsequent to the measurement date	N/A	3,848
Total (excluding contributions made subsequent to measurement date)	$ -	$ 6,308

M. OTHER POSTEMPLOYMENT BENEFITS (continued)

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):

Net deferred outflows (inflows) of resources:

December 31	
2019	$ 963
2020	963
2021	963
2022	963
2023	963
Thereafter	1,493
Total	$ 6,308

Schedule of Contributions - (Retiree-only portion of the rate, for OPEB):

Plan Year	Total SDBF Contribution	Retiree Portion of SDB Contribution
2017	$ 4,584	$ 655
2018	$ 4,918	$ 820

N. VOLUNTEER FIREFIGHTERS RETIREMENT

The City participates in the Texas Emergency Services Retirement System (TESRS). This is a pension system for volunteer firefighters and first responders. Members are half-vested at 10 years of qualified service, and are eligible to receive a lifetime annuity at the age of 55. Members are fully-vested at 15 years of qualified service, and are eligible to receive a lifetime annuity at the age of 55. The City currently has 25 volunteer firefighters participating. During the fiscal year, $13,104 was paid to TESRS.

O. HEALTH CARE COVERAGE

During the year ended September 30, 2018, employees of the City were covered by a health, dental, and vision insurance plans. The City contributed $899 per month per employee for employee coverage and $0 for dependent's health insurance. The The City contributed $38 per employee (100% of the cost per employee) for dental insurance and $6 per employee for vision. Employees, at their option, authorized payroll withholdings for dependent coverage. Health and dental insurance is provided by TML MultiState Intergovernmental Employee Benefit Pool and vision insurance is with Avesis.

P. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. The City has renewed all coverage and policies for fiscal year 2018-2019.

Q. LITIGATION

The City is subject to certain legal proceedings in the normal course of operations. In the opinion of management, the aggregate liability, if any, with respect to potential legal actions will not materially adversely affect the City's financial position, results of operations, or cash flows.

R. ADDITIONAL WATER AND SEWER INFORMATION

The City secures its water supply from the North Texas Municipal Water District ("NTMWD"), a district authorized by the Texas Constitution, Article XVI, Section 59; created by the Texas Legislature, Article 8280-141; and authorized to act by the confirming vote of the majority of the qualified voters in each of the cities comprising the District. The District has police, taxation and eminent domain powers and is authorized to issue revenue and/or tax bonds upon approval by the Attorney General of the State of Texas and functions as a political subdivision of the State of Texas independent of the City. The District is governed by a 17-member board ("Board"), the City being authorized by statute to appoint two of those members. The board has full power and discretion to establish its budget and to set the rates for the services it provides by contracts with its member cities and customers. The Board is empowered by statute and contract, or otherwise permitted by law, to discontinue a facility or service in order to prevent an abuse or to enforce payment of an unpaid charge, fee, or rental due to the District. Because of the factors mentioned above, the District is not included in the City's basic financial statements.

The City entered into a contract with the District whereby the District agreed to provide water for the benefit of the City. In return, the City agreed to pay the District at a rate of $2.78 per 1,000 gallon basis, subject to minimum annual payments. The City's cost for the current fiscal year was $1,370,444.

The following information is included at the request of the Texas Water Development Board for the year under audit.
Water Accountability Report:

Gallons Pumped	521,985,000
Gallons Billed	495,463,100

S. TRANSFERS

Transfers between funds were due to debt service support and allocation of development contribution are as follows:

Major Funds	Transfers Out	Transfers In
General Debt Service Fund	$ 33,491	-
Capital Improvements Funds	283,624	
Water and Sewer Fund	-	317,115
	$ 317,115	$ 317,115

T. PUBLIC IMPROVEMENT DISTRICTS

In April 2018, the City approved the creation of the Arcadia Farms Public Improvement District for the benefit of property in the PID. The City Council approved the issuance and sale of special assessment revenue bonds, Series 2018, in the amount of $3,135,000 to fund certain roadway, water distribution system, storm drainage, sanitary sewer, and other PID bond issuance costs. These bonds are secured solely from assessment revenues generated by the Arcadia Farms PID. The City is not obligated in any manner for this special assessment debt, but merely acts as the developer's agent in handling the debt service transactions by collecting any special assessment collections and forwarding to the Trustee for payment to the bond holders.

In September 2018, the City approved the creation of the Princeton Crossroads Public Improvement District for the benefit of property in the PID. The City Council approved the issuance and sale of special assessment revenue bonds, Series 2018, in the amount of $11,000,000 to fund certain roadway, water distribution system, storm drainage, sanitary sewer, and other PID bond issuance costs. These bonds are secured solely from assessment revenues generated by the Princeton Crossroads PID. The City is not obligated in any manner for this special assessment debt, but merely acts as the developer's agent in handling the debt transactions by collecting any special assessment collections and forwarding to the Trustee for payment to the bond holders.

U. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

As a result of the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", an adjustment has been made to record the City's total OPEB liability as of October 1, 2017. As a result, the net position of the governmental activities has been decreased ($44,685), and the net position of the Proprietary Fund has been decreased ($16,260).

The governmental and business-type activities net position have been restated on the government-wide financial statements as follows:

	Governmental Activities	Business-type Activities
Net position, beginning	$ 21,135,735	$ 17,633,915
Change in accounting principle - GASB 75	(44,685)	(16,260)
Net position, ending	$ 21,091,050	$ 17,617,655

V. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recorded in a Capital Improvements Fund to reclassify developer liability from expense.

W. SUBSEQUENT EVENTS

Management has evaluated all events or transactions that occurred after September 30, 2018 up through March 25, 2019. This is the date the financial statements were available for issuance. There is one subsequent event related to the redemption prior to maturity of a portion of the Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2009 in the amount of $1,305,000.

X. PRINCETON ECONOMIC DEVELOPMENT CORPORATION

In accordance with GASB Statement No. 14, the Financial Reporting Entity, as amended by GASB Statement No. 39, the Princeton Economic Development Corporation ("EDC") is a discretely presented component on the combined financial statements. The EDC was incorporated October 1, 2005 and is governed by a seven-member board appointed by and serving at the pleasure of the City Council. The funding for EDC occurs by the City transferring 1/4 sales tax revenues collected by the City. The purpose for which the EDC is organized and may issue or incur bonds or other obligations on behalf of the City for the promotion and development of commercial, industrial and manufacturing enterprises, promotion, development and expansion of business enterprises, and to promote and encourage employment and public welfare.

COMPLIANCE AND ACCOUNTABILITY

a. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None	n/a

b. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Violation	Action Taken
None	n/a

X. PRINCETON ECONOMIC DEVELOPMENT CORPORATION *(continued)*

1. Deposits and Investments

Cash and investments as of September 30, 2018 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Total Cash and Cash Equivalents	$ 1,241,729
Savings and checking accounts	$ 71,124
Investment Pools	1,170,605
Total cash and cash equivalents	$ 1,241,729

Custodial Credit Risk
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Public Funds Investment Act and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a deposit regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC at all times.

As of September 30, 2018, EDC had the following investment:

Investment Type	Amount	Average Maturity	Minimum Legal Rating	Rating as of Year End
TexPool	$ 1,170,605	37	N/A	AAA-m

2. Receivables

Receivables at the end of the fiscal year were $123,741 representing sales tax owed from the State. Receivables are collected after year-end; therefore, no allowance for uncollectible has been recorded.

3. Capital Assets

Governmental Activities	Beginning Balances	Additions	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	$ 1,012,000	$ -	$ (29,155)	$ 982,845
Construction in progress	396,654	106,780	(503,434)	-
Total capital assets, not being depreciated:	1,408,654	106,780	(532,589)	982,845
Capital assets, being depreciated:				
Infrastructure	-	503,434	-	503,434
Machinery & Equipment	9,275	-	-	9,275
Total capital assets being depreciated:	9,275	503,434	-	512,709
Less accumulated depreciation for:				
Infrastructure	(9,275)	-	-	(9,275)
Total accumulated depreciation	(9,275)	-	-	(9,275)
Total capital assets, being depreciated, net	-	503,434	-	503,434
Governmental activities capital assets, net	$ 1,408,654	$ 610,214	(532,589)	$ 1,486,279

X. PRINCETON ECONOMIC DEVELOPMENT CORPORATION *(continued)*

4. Long-Term Obligations

A summary of long-term obligations for the year ended September 30, 2018 is as follows:

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30, 2017	Issued	Retired	Amounts Outstanding September 30, 2018	Due Within One Year
Note Payable-City	0.0%	$ 1,152,000	$ 1,350,000	$ -	$ (75,000)	$ 1,275,000	$ 75,000
Total Notes Payable		1,152,000	1,350,000	-	(75,000)	1,275,000	75,000
Net Pension Liability		-	1,888	(1,636)	-	252	-
OPEB Liability		-	-	508	-	508	-
Compensated Absence		-	4,177	2,455	(2,455)	4,177	-
		$ 1,152,000	$ 1,356,065	$ 1,327	$ (77,455)	$ 1,279,937	$ 75,000

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements
2019	$ 75,000
2020	75,000
2021	75,000
2022	75,000
2023	75,000
2024-2028	375,000
2029-2033	375,000
2034-2035	150,000
Totals	$ 1,275,000

The EDC agreed to pay a portion of the 2016 Certificate of Obligations for the streets and roads, drainage, and streetscape improvements for the Industrial Park.

The EDC follows the City's policy to permit employees to accumulate earned but unused vacation and overtime not paid (comp time).

5. Health Care Coverage

During the year ended September 30, 2018, employees of the EDC were covered by a health, dental, and vision insurance plans. The City contributed $899 per month per employee for employee coverage and $0 for dependent's health insurance. The The City contributed $38 per employee (100% of the cost per employee) for dental insurance and $6 per employee for vision. Employees, at their option, authorized payroll withholdings for dependent coverage. Health and dental insurance is provided by TML MultiState Intergovernmental Employee Benefit Pool and vision insurance is with Avesis.

6. Pension Plan

$3,836 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense.

For the year ended September 30, 2018, the EDC recognized pension expense of $2,674.

7. Litigation

Management is not aware of any pending or threatened litigation involving the EDC.

X. PRINCETON ECONOMIC DEVELOPMENT CORPORATION *(continued)*

8. Subsequent Events

The EDC has evaluated all events or transactions that occurred after September 30, 2018 up through March 25, 2019, the date the financial statements were available to be issued. During this period, management was unaware of any subsequent events requiring disclosure.

Y. PRINCETON COMMUNITY DEVELOPMENT CORPORATION

In accordance with GASB Statement No. 14, the Financial Reporting Entity, as amended by GASB Statement No. 39, the Princeton Community Development Corporation ("CDC") is a discretely presented component on the combined financial statements. The CDC was incorporated July 3, 1997 and is governed by a seven-member board appointed by and serving at the pleasure of the City Council. The funding for CDC occurs by the City transferring 1/4 sales tax revenues collected by the City. The purpose of the CDC is for the purpose of promoting projects to enhance the community. The 4B tax proceeds may be spent on land, buildings, equipment, facilities, expenditures for targeted infrastructure, and improvements throughout the City.

COMPLIANCE AND ACCOUNTABILITY

a. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None	n/a

b. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Violation	Action Taken
None	n/a

1. Deposits and Investments

Cash and investments as of September 30, 2018 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Total Cash and Cash Equivalents	$ 804,661
Savings and checking accounts	$ -
Investment Pools	804,661
Total cash and cash equivalents	$ 804,661

Y. PRINCETON COMMUNITY DEVELOPMENT CORPORATION

1. Deposits and Investments *(continued)*

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Public Funds Investment Act and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a deposit regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC at all times.

As of September 30, 2018, CDC had the following investment:

Investment Type	Amount	Average Maturity	Minimum Legal Rating	Rating as of Year End
TexPool	$ 804,661	37	N/A	AAA-m

2. Receivables

Receivables at the end of the fiscal year were $123,741 representing sales tax owed from the State. Receivables are collected after year-end; therefore, no allowance for uncollectible has been recorded.

3. Capital Assets

Governmental Activities	Beginning Balances	Additions	Decreases	Ending Balances
Capital assets, not being depreciated:				
Construction in progress	$ 143,535	$ 7,022	$ (79,535)	$ 71,022
Total capital assets, not being depreciated:	143,535	7,022	(79,535)	71,022
Capital assets, being depreciated:				
Building and improvements	138,557	-	-	138,557
Machinery and equipment	9,275	-	-	9,275
Total capital assets being depreciated:	147,832	-	-	147,832
Less accumulated depreciation for:				
Building and improvements	(8,371)	(3,464)	-	(11,835)
Machinery and equipment	(9,275)	-	-	(9,275)
Total accumulated depreciation	(17,646)	(3,464)	-	(21,110)
Total capital assets, being depreciated, net	130,186	(3,464)	-	126,722
Governmental activities capital assets, net	$ 273,721	$ 3,558	$ (79,535)	$ 197,744

4. Construction Commitments

The CDC has one active construction project as of September 30, 2018 for historical preservation of the Methodist Church.

Project Description	Project Budget Appropriation	Spent to Date	Remaining Commitment
Community Center-historical preservation	$ 209,900	$ 71,022	$ 138,878

Y. PRINCETON COMMUNITY DEVELOPMENT CORPORATION *(continued)*

5. Long-Term Obligations

A summary of long-term obligations for the year ended September 30, 2018 is as follows:

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30, 2017	Issued	Retired	Amounts Outstanding September 30, 2018	Due Within One Year
Note Payable-City	0.0%	$ 941,259	$ 445,708	$ -	$ (43,986)	$ 401,722	$ 43,199
Total Notes Payable		941,259	445,708	-	(43,986)	401,722	43,199
Net Pension Liability		-	2,022	-	(1,818)	204	-
OPEB Liability		-	-	508	-	508	-
Compensated Absence		-	4,073	2,457	(2,457)	4,073	-
		$ 941,259	$ 451,803	$ 2,965	$ (48,261)	$ 406,507	$ 43,199

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements
2019	$ 43,199
2020	42,333
2021	37,940
2022	35,245
2023	-
2024-2028	-
2029	-
Totals	$ 158,717

The CDC agreed to pay a portion of the City's 2011 General Obligation bonds.

The CDC follows the City's policy to permit employees to accumulate earned but unused vacation and overtime not paid (comp time).

6. Health Care Coverage

During the year ended September 30, 2018, employees of the CDC were covered by a health, dental, and vision insurance plans. The City contributed $899 per month per employee for employee coverage and $0 for dependent's health insurance. The City contributed $38 per employee (100% of the cost per employee) for dental insurance and $6 per employee for vision. Employees, at their option, authorized payroll withholdings for dependent coverage. Health and dental insurance is provided by TML MultiState Intergovernmental Employee Benefit Pool and vision insurance is with Avesis.

7. Pension Plan

$3,842 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense.

For the year ended September 30, 2018, the CDC recognized pension expense of $2,674.

8. Litigation

Management is not aware of any pending or threatened litigation involving the CDC.

Y. PRINCETON COMMUNITY DEVELOPMENT CORPORATION *(continued)*

9. Subsequent Events

The CDC has evaluated all events or transactions that occurred after September 30, 2018 up through March 25, 2019, the date the financial statements were available to be issued. During this period, management was unaware of any subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PRINCETON
THE STATE OF TEXAS

CITY OF PRINCETON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

TMRS FUNDING PROGRESS AND CONTRIBUTIONS
LAST FOUR FISCAL YEARS (UNAUDITED)

	2014	2015	2016	2017
Actuarially determined contribution	$ 177,534	$ 225,842	$ 249,270	$ 349,031
Contributions in relation to the actuarially determined contribution	$ 177,534	$ 225,842	$ 249,270	$ 349,031
Contributions deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 1,940,264	$ 1,993,313	$ 2,349,391	$ 3,274,210
Contributions as a percentage of covered payroll	9.15%	11.33%	10.61%	10.66%

Notes: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

GASB 68, paragraph 81.2.b requires that the data in this schedule be presented as of the City's fiscal year as opposed to the time period covered by the measurement date.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:	
Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes	There were no benefit changes during the year.

CITY OF PRINCETON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS-TMRS

	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total pension liability				
Service cost	$ 588,068	$ 422,523	$ 339,669	$ 270,343
Interest (on the Total Pension Liability)	365,981	318,863	302,819	281,321
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	43,938	94,966	(104,990)	(89,706)
Change of assumptions	-	-	4,858	-
Benefit payments, including refund of employee contributions	(241,953)	(200,204)	(171,543)	(207,466)
Net Cange in Total Pension Liability	756,034	636,148	370,813	254,492
Total Pension Liability - Beginning	5,248,884	4,612,736	4,241,923	3,987,431
Total Pension Liability - Ending (a)	$ 6,004,918	$ 5,248,884	$ 4,612,736	$ 4,241,923
Plan Fiduciary Net Position				
Contributions - employers	$ 368,823	$ 264,028	$ 228,154	$ 166,531
Contributions - employees	242,288	173,775	142,462	127,401
Net investment income	666,064	289,272	6,036	216,789
Benefit payments, including refund of employee contributions	(241,953)	(200,204)	(171,543)	(207,466)
Administrative expense	(3,458)	(3,275)	(3,676)	(2,263)
Other	(175)	(176)	(182)	(186)
Net Cange in Plan Fiduciary Net Position	1,031,589	523,420	201,251	300,806
Plan Fiduciary Net Position - Beginning	4,814,700	4,291,280	4,090,029	3,789,223
Plan Fiduciary Net Position - Ending (b)	$ 5,846,289	$ 4,814,700	$ 4,291,280	$ 4,090,029
Net Pension Liability - Ending (a)-(b)	$ 158,629	$ 434,184	$ 321,456	$ 151,894
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.36%	91.73%	93.03%	96.42%
Covered Payroll	$ 3,274,210	$ 2,482,506	$ 2,035,165	$ 1,820,011
Net Pension Liability as a Percentage of Covered Payroll	4.84%	17.49%	15.80%	8.35%

Notes to Schedule:

N/A

Note: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF PRINCETON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

OPEB FUNDING PROGRESS AND CONTRIBUTIONS
LAST FISCAL YEAR (UNAUDITED)

	2017
Actuarially determined contribution	$ 4,584
Contributions in relation to the actuarially determined contribution	$ 4,584
Contributions deficiency (excess)	$ -
Covered payroll	$ 3,274,210
Contributions as a percentage of covered payroll	0.14%

Notes: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
Only one year of data is presented in accordance with GASB 75.
GASB 75, paragraph 57 requires that the data in this schedule be presented as of the City's fiscal year as opposed to the time period covered by the measurement date.

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Discount rate *	3.31%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reportin requirements under GASB Statement No. 68
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

CITY OF PRINCETON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

	12/31/2017
Total OPEB liability	
Changes for the year	
Service cost	$ 7,269
Interest on Total OPEB Liability	2,731
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions or other inputs	7,271
Benefit payments **	(692)
Net Cange in Total Pension Liability	16,579
Total Pension Liability - Beginning	68,952
Total Pension Liability - Ending (a)	$ 85,531
Covered Payroll	$ 3,461,260
Total OPEB Liability as a Percentage of	
Covered Employee Payroll	2.47%

** Due to SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available

SUPPLEMENTARY INFORMATION

CITY OF PRINCETON
THE STATE OF TEXAS

CITY OF PRINCETON, TEXAS
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUE				
Taxes:				
Property	$ 1,589,350	$ 1,589,350	$ 1,749,059	$ 159,709
Intergovernmental revenues	118,986	118,986	-	(118,986)
Miscellaneous	4,800	4,800	14,513	9,713
Total Revenues	1,713,136	1,713,136	1,763,572	50,436
EXPENDITURES				
General Government	4,500	4,500	1,512	2,988
Debt service:				
Principal retirement	1,021,600	1,021,600	1,046,600	(25,000)
Interest	574,644	574,644	552,635	22,009
Total Expenditures	1,600,744	1,600,744	1,600,747	(3)
Excess (deficiency) of revenues over (under) expenditures	112,392	112,392	162,825	50,433
Other Financing Sources (Uses)				
Transfers	(30,921)	(30,921)	(172,759)	(141,838)
Total Other Financing Sources (uses)	(30,921)	(30,921)	(172,759)	(141,838)
Net Change in Fund Balances	81,471	81,471	(9,934)	(91,405)
Fund Balance, October 1	2,346,400	2,346,400	2,346,400	
Fund Balance, September 30	$ 2,427,871	$ 2,427,871	$ 2,336,466	

CITY OF PRINCETON, TEXAS
BALANCE SHEET
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2018

	EDC Operating Fund
ASSETS	
Cash and cash equivalents	$ 1,241,729
Receivables, net of allowance for uncollectibles	123,741
Total Assets	1,365,470
LIABILITIES	
Accounts payable	19,196
Other liabilities	50
Accrued expenses	667
Total Liabilities	19,913
FUND BALANCES	
Committed:	
Community events	14,750
Debt service	75,000
Unassigned	1,255,807
Total Fund Balances	1,345,557
Total Liabilities and Fund Balances	$ 1,365,470

CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2018

Total fund balances - governmental funds balance sheet	$ 1,345,557
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds:	
Governmental capital assets	1,495,554
Less: accumulated depreciation	(9,275)
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Included with amounts related to net pension liability are deferred outflows of resources and deferred inflows of resources that are attributable to the multiple-employer pension plan. Balances at year-end are:	
Note payable	(1,275,000)
Compensated absence balance	(4,177)
Net pension liability	(252)
Net OPEB liability	(508)
Deferred outflow/inflow of resources - pension plan	1,483
Net assets of governmental activities - statement of net position	$ 1,553,382

CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	EDC Operating Fund
REVENUE	
Sales taxes	$ 686,764
Investment income	13,891
Total Revenues	700,655
EXPENDITURES	
Current:	
Personnel	31,735
Contract services	54,153
Promotional and advertising	5,487
Supplies and maintenance	6,290
Office expenses and supplies	16,127
Capital outlay	106,780
Debt service:	
Principal retirement	75,000
Total Expenditures	295,572
Excess (deficiency) of revenues over (under) expend	405,083
OTHER FINANCING SOURCES (USES)	
Sale of land	154,855
Total other financing sources (uses)	154,855
Net change in fund balance	559,938
Fund Balance, October 1	785,619
Fund Balance, September 30	$ 1,345,557

CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balance - statement of revenues, expenditures and changes in fund balance - governmental funds	$	559,938
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount of capital outlay during the current period.		106,780
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Principal paid - note		75,000
Certain expenses related to employee compensation and benefits are reported in the statement of activities but do not require the use of financial resources, and, therefore, are not reported as expenditures in governmental funds:		
Change in net pension liability		(447)
Change in OPEB liability		140
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds		(29,154)
Change in net position - statement of activities	$	712,257

CITY OF PRINCETON, TEXAS
BALANCE SHEET
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2018

	CDC Operating Fund
ASSETS	
Cash and cash equivalents	$ 804,661
Receivables, net of allowance for uncollectibles	123,741
Total Assets	928,402
Liabilities	
Accounts payable	16,314
Total Liabilities	16,981
Fund Balances	
Committed:	
Capital projects	75,000
Community events	26,000
Projects	458,290
Debt	43,986
Unassigned	308,145
Total Fund Balances	911,421
Total Liabilities and Fund Balances	$ 928,402

CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2018

Total fund balances - governmental funds balance sheet	$ 911,421
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds:	
Governmental capital assets	218,854
Less: accumulated depreciation	(21,110)
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Included with amounts related to net pension liability are deferred outflows of resources and deferred inflows of resources that are attributable to the multiple-employer pension plan. Balances at year-end are:	
Note payable	(401,722)
Compensated absence balance	(4,073)
Net pension liability	(386)
Net OPEB liability	(508)
Deferred outflow of resources - pension plan	1,353
Deferred inflow of resources - pension plan	135
Net assets of governmental activities - statement of net position	$ 703,964

CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	CDC Operating Fund
REVENUE	
Sales taxes	$ 686,764
Investment income	13,995
Total Revenues	700,759
EXPENDITURES	
Current:	
Personnel	31,975
Contract services	10,678
Supplies & maintenance	6,431
Project costs	458,290
Community events	31,922
Capital outlay	7,022
Debt service:	
Principal retirement	43,986
Total Expenditures	590,304
Net change in fund balance	110,455
Fund Balance, October 1	800,966
Fund Balance, September 30	$ 911,421

CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balance - statement of revenues, expenditures and changes in fund balance - governmental funds	$	110,455
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount of capital outlay during the current period.		7,022
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.		(3,463)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Principal paid - note		43,986
Certain expenses related to employee compensation and benefits are reported in the statement of activities but do not require the use of financial resources, and, therefore, are not reported as expenditures in governmental funds:		
Change in net pension liability		136
Change in OPEB liability		(447)
Various other items necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting, including:		
Miscellaneous transactons involving project costs		(79,535)
Change in net position - statement of activities	$	78,154

CITY OF PRINCETON, TEXAS
BUDGETARY COMPARISON SCHEDULE - ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUE				
Sales Taxes	$ 643,500	$ 643,500	$ 686,764	$ 43,264
Investment Income	3,200	3,200	13,891	10,691
Total Revenues	646,700	646,700	700,655	53,955
EXPENDITURES				
Current:				
Economic Development	128,789	188,389	113,792	74,597
Capital Outlays	110,000	110,000	106,780	3,220
Debt Service:				
Principal Retirement	75,000	75,000	75,000	-
Total Expenditures	313,789	373,389	295,572	77,817
Excess (deficiency) of revenues over/(under) expenditures	332,911	273,311	405,083	131,772
OTHER FINANCING SOURCES (USES)				
Sale of land	-	-	154,855	154,855
Total other financing sources (uses)	-	-	154,855	154,855
Net Change in Fund Balance	332,911	273,311	559,938	286,627
Fund Balance, October 1	785,619	785,619	785,619	
Fund Balance, September 30	$ 1,118,530	$ 1,058,930	$ 1,345,557	

CITY OF PRINCETON, TEXAS
BUDGETARY COMPARISON SCHEDULE - COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUE				
Sales Taxes	$ 643,500	$ 643,500	$ 686,764	$ 43,264
Investment Income	3,200	3,200	13,995	10,795
Total Revenues	646,700	646,700	700,759	54,059
EXPENDITURES				
Current:				
Community Development	519,939	1,006,699	539,296	467,403
Capital Outlays	100,000	100,000	7,022	92,978
Debt Service:				
Principal Retirement	43,986	43,986	43,986	-
Total Expenditures	663,925	1,150,685	590,304	560,381
Net Change in Fund Balance	(17,225)	(503,985)	110,455	614,440
Fund Balance, October 1	800,966	800,966	800,966	
Fund Balance, September 30	$ 783,741	$ 296,981	$ 911,421	

CITY OF PRINCETON
THE STATE OF TEXAS

STATISTICAL SECTION (UNAUDITED)

STATISTICAL SECTION
(unaudited)

This part of the City of Princeton's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

Contents Page

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 81

Revenue Capacity

These schedules contain information to help the reader assess the City's ability to generate its property and sales taxes. 94

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 98

Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments. 103

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. 104

CITY OF PRINCETON, TEXAS **Table 1**
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(unaudited)

	FISCAL YEAR				
	2009	**2010**	**2011**	**2012**	**2013**
Governmental activities					
Net investment in capital assets	$ 582,670	$ 3,603,140	$ 2,472,934	$ 5,151,105	$ 6,626,161
Restricted	935,212	354,706	5,128,261	2,162,925	642,768
Unrestricted	344,025	731,737	70,229	666,375	2,317,036
Total governmental activities net position	1,861,907	4,689,583	7,671,424	7,980,405	9,585,965
Business-type activities					
Net investment in capital assets	3,060,969	1,924,566	3,828,257	3,572,269	3,460,166
Restricted	124,237	323,770	734,362	620,769	766,049
Unrestricted	2,279,014	2,983,938	968,438	1,115,827	1,192,221
Total business-type activities net position	5,464,220	5,232,274	5,531,057	5,308,865	5,418,436
Primary government					
Net investment in capital assets	3,643,639	5,527,706	6,301,191	8,723,374	10,086,327
Restricted	1,059,449	678,476	5,862,623	2,783,694	1,408,817
Unrestricted	2,623,039	3,715,675	1,038,667	1,782,202	3,509,257
Total primary government net position	$ 7,326,127	$ 9,921,857	$ 13,202,481	$ 13,289,270	$ 15,004,401

	FISCAL YEAR				
	2014	**2015**	**2016**	**2017**	**2018**
Governmental activities					
Net investment in capital assets	$ 6,640,339	$ 7,305,692	$ 8,075,220	$ 16,457,417	$ 22,926,273
Restricted	2,990,401	3,152,746	4,140,512	2,539,370	7,211,360
Unrestricted	483,094	1,357,720	1,710,252	2,075,253	2,666,324
Total governmental activities net position	10,113,834	11,816,158	13,925,984	21,072,040	32,803,957
Business-type activities					
Net investment in capital assets	4,876,332	5,104,136	6,631,526	11,785,446	20,496,075
Restricted	808,064	994,498	1,851,788	3,153,343	3,465,755
Unrestricted	1,839,812	2,197,241	2,278,245	2,695,126	4,435,377
Total business-type activities net position	7,524,208	8,295,875	10,761,559	17,633,915	28,397,207
Primary government					
Net investment in capital assets	11,516,671	12,409,828	14,706,746	28,242,863	43,422,348
Restricted	3,798,465	4,147,244	5,992,300	5,692,713	10,677,115
Unrestricted	2,322,906	3,554,961	3,988,497	4,770,379	7,101,701
Total primary government net position	$ 17,638,042	$ 20,112,033	$ 24,687,543	$ 38,705,955	$ 61,201,164

CITY OF PRINCETON, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(unaudited)

	FISCAL YEAR			
	2009	**2010**	**2011**	**2012**
EXPENSES				
Governmental activities:				
General government	$ 444,068	$ 525,180	$ 787,033	$ 541,838
Public safety	1,308,389	1,233,166	1,310,826	1,374,721
Public services and operations	254,443	246,159	272,659	274,184
Parks and recreation	184,002	242,239	197,735	294,768
Library	-		-	-
Public works	539,521	409,971	562,550	442,915
Interest on long-term debt	210,986	328,953	322,897	289,026
Total government activities expenses	2,941,409	2,985,668	3,453,700	3,217,452
Business-type activities:				
Water and sewer	2,670,635	3,220,575	3,837,065	3,837,603
Storm water drainage	-	-	-	-
Total business-type activities expenses	2,670,635	3,220,575	3,837,065	3,837,603
Total primary government expenses	5,612,044	6,206,243	7,290,765	7,055,055
PROGRAM REVENUES				
Governmental activities:				
Charge for services:				
General government	2,240	-	-	-
Public safety	309,225	249,280	267,848	234,570
Public services and operations	-		-	-
Parks and recreation	8,325	14,119	9,421	15,489
Library				-
Public works	240,098	246,784	224,209	259,738
Operating grants and contributions	55,802	16,321	39,182	213,574
Capital grants and contributions	-	21,045	3,400	200,014
Total governmental activities program revenues	615,690	547,549	544,060	923,385
Business-type activities:				
Charge for services:				
Water and sewer	2,540,971	3,191,055	3,850,211	3,694,915
Storm water drainage	-	-	-	-
Capital grants and contributions	300,121	-	239,917	145,353
Total business-type activities program revenues	2,841,092	3,191,055	4,090,128	3,840,268
Total primary government program revenues	3,456,782	3,738,604	4,634,188	4,763,653
NET (EXPENSE)/REVENUE				
Governmental activities	(2,325,719)	(2,438,119)	(2,909,640)	(2,294,067)
Business-type activities	170,457	(29,520)	253,063	2,665
Total primary government program revenues				
Net Expenses	(2,155,262)	(2,467,639)	(2,656,577)	(2,291,402)

FISCAL YEAR					
2013	2014	2015	2016	2017	2018
$ 704,619	$ 728,324	$ 666,193	$ 789,760	$ 861,576	$ 1,009,624
1,380,786	1,244,648	1,335,532	1,562,609	3,050,330	4,014,770
294,647	497,095	697,081	893,941	886,973	1,353,362
307,933	245,950	493,077	552,517	527,723	706,987
-	-	102,133	129,687	151,936	169,895
603,570	1,113,223	1,232,485	1,381,286	1,642,760	1,743,261
262,039	215,011	311,418	390,417	544,788	623,667
3,553,594	4,044,251	4,837,919	5,700,217	7,666,086	9,621,566
4,318,861	4,449,142	4,676,918	6,062,226	6,183,258	7,343,569
-	-	-	-	232,136	513,498
4,318,861	4,449,142	4,676,918	6,062,226	6,415,394	7,857,067
7,872,455	8,493,393	9,514,837	11,762,443	14,081,480	17,478,633
-	-	115,000	115,000	265,178	265,191
271,837	353,545	294,989	348,441	25,690	36,740
-	-	-	130,204	2,324,727	2,842,392
17,972	83,217	45,086	-	146,968	566,573
			-	6,913	7,379
291,606	724,455	763,325	1,292,208	1,430,930	1,989,613
1,015,344	148,283	20,258	8,129	422,920	478,064
849,804	266,308	2,112,676	1,908,221	5,385,169	9,084,326
2,446,563	1,575,808	3,351,334	3,802,203	10,008,495	15,270,278
4,382,048	4,812,038	5,214,972	6,754,857	9,563,489	12,320,362
-	-	-	-	319,409	359,638
74,680	-	118,855	1,439,081	4,449,124	5,517,586
4,456,728	4,812,038	5,333,827	8,193,938	14,332,022	18,197,586
6,903,291	6,387,846	8,685,161	11,996,141	24,340,517	33,467,864
(1,107,031)	(2,468,443)	(1,486,585)	(1,898,014)	2,342,409	5,648,712
137,867	362,896	656,909	2,131,712	7,916,628	10,340,519
(969,164)	(2,105,547)	(829,676)	233,698	10,259,037	15,989,231

(continued)

CITY OF PRINCETON, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(unaudited)

	FISCAL YEAR			
	2009	**2010**	**2011**	**2012**
GENERAL REVNUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes:				
Property	$ 2,065,415	$ 2,082,305	$ 2,060,352	$ 2,072,551
Sales	342,593	368,307	387,708	447,973
Franchise	190,349	211,703	227,551	225,711
Beverage	3,113	2,724	-	2,368
Investment income	34,295	18,541	9,552	15,913
Miscellaneous	70,563	30,864	336,730	45,765
Intergovernmental	138,019	2,592,361	2,896,341	-
Transfers	(350,449)	(54,097)	(26,753)	609
Total government activities	2,493,898	5,252,708	5,891,481	2,810,890
Business-type activities:				
Investment income	41,805	3,293	757	256
Miscellaneous	31,911	22,381	18,210	1,491
Intergovernmental revenue	-	-	-	-
Extraordinary items	-	75,000	-	-
Transfers	350,449	54,097	26,753	(609)
Total business-type activities	424,165	154,771	45,720	1,138
Total primary government	2,918,063	5,407,479	5,937,201	2,812,028
CHANGE IN NET POSITION				
Governmental activities	168,179	2,814,589	2,981,841	516,823
Business-type activities	594,622	125,251	298,783	3,803
Total primary government	762,801	2,939,840	3,280,624	520,626

Table 2
(continued)

FISCAL YEAR					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
$ 2,131,994	$ 2,228,700	$ 2,483,190	$ 2,859,709	$ 3,539,491	$ 4,581,813
501,970	572,515	626,981	918,489	1,267,448	1,327,813
189,738	216,724	198,430	190,838	262,549	338,887
3,190	1,861	-	-	2,984	5,698
11,114	6,702	3,938	15,937	76,593	112,237
47,026	54,360	59,820	55,358	5,270	28,387
-	-	-	-	-	-
(32,841)	(84,550)	(132,418)	(32,491)	(33,491)	(317,115)
2,852,191	2,996,312	3,239,941	4,007,840	5,120,844	6,077,720
332	4,167	6,005	10,929	24,525	80,657
1,931	3,856	3,148	10,463	32,888	41,261
-	-	-	231,150	-	-
-	-	-	-	-	-
32,841	84,550	132,418	32,491	33,491	317,115
35,104	92,573	141,571	285,033	90,904	439,033
2,887,295	3,088,885	3,381,512	4,292,873	5,211,748	6,516,753
1,745,160	527,869	1,753,356	2,109,826	7,463,253	11,726,432
172,971	455,469	798,480	2,416,745	8,007,532	10,779,552
1,918,131	983,338	2,551,836	4,526,571	15,470,785	22,505,984

CITY OF PRINCETON, TEXAS **Table 3**
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(unaudited)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Alcoholic Beverage Tax	Total
2009	$ 2,065,415	$ 342,593	$ 190,349	$ 3,113	$ 2,601,470
2010	2,082,305	368,307	211,703	2,724	2,665,039
2011	2,060,352	387,708	227,551	3,542	2,679,153
2012	2,072,551	447,973	225,711	2,368	2,748,603
2013	2,131,994	501,970	189,738	3,190	2,826,892
2014	2,228,700	572,515	216,724	1,861	3,019,800
2015	2,483,190	626,981	313,430	2,614	3,426,215
2016	2,859,709	918,489	305,838	2,796	4,086,832
2017	3,539,491	1,267,448	262,549	2,984	5,072,472
2018	4,581,813	1,327,813	338,887	5,698	6,254,211

CITY OF PRINCETON, TEXAS **Table 4**
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

	FISCAL YEAR				
	2009	**2010**	**2011**	**2012**	**2013**
General Fund					
Nonspendable-prepaid	$ -	$ -	$ -	$ 9,751	$ -
Restricted for:					
Court use	74,217	64,418	8,828	11,136	13,472
PEG capital	-	-	-	7,478	16,915
Committed for:					
Public safety	-	-	18,731	89,034	104,114
Capital improvements	5,431,819	3,468,661	-	-	-
Assigned for:					
Police	-	1,084	1,084	4,015	-
Unassigned	245,869	402,869	(273,162)	(144,933)	8,211
Total General Fund	5,751,905	3,937,032	(244,519)	(23,519)	142,712
All Other Governmental Funds					
Restricted for:					
Debt service	277,778	290,288	342,532	372,018	436,983
Capital improvements	(203,476)	122,361	4,771,097	2,496,018	2,641,610
Committed for:					
Public safety					
Parks	-	-	-	-	239,739
	$ 74,302	$ 412,649	$ 5,113,629	$ 2,868,036	$ 3,318,332

	FISCAL YEAR				
	2014	**2015**	**2016**	**2017**	**2018**
General Fund					
Nonspendable					
Prepaid	$ -	$ -	$ -	$ -	$ 21,133
Inventory	-	-	-	-	12,116
Restricted for:					
Court use	82,263	96,279	78,136	80,953	103,720
Public Safety	-	-	-	-	3,681
Capital improvements	69,761	-	-	461,764	878,209
PEG capital	23,965	31,804	39,576	41,862	41,862
Committed for:					
Public Safety	102,263	66,009	68,584	3,659	-
Development	-	-	-	289,037	-
Assigned for:					
Development	-	-	-	6,500	10,500
Public safety	-	-	-	78,998	37,570
Public works				20,000	7,453
General government	2,362	2,362	2,362	-	-
Unassigned	517,024	733,619	1,530,097	1,497,135	1,857,401
Total General Fund	797,638	930,073	1,718,755	2,479,908	2,973,645
All Other Governmental Funds					
Nonspendable	-	-	-	1,795,708	1,676,722
Restricted for:					
Debt service	431,132	388,020	917,661	550,692	659,744
Capital improvements	2,452,981	2,636,643	3,105,139	7,090,147	3,231,702
Committed for:					
Public safety	-	-	-	4,500	-
Parks	-	48,019	239,741	190,718	190,718
Assigned for:					
Public safety	-	-	-	-	4,500
Parks	-	-	-	-	424,183
	$ 2,884,113	$ 3,072,682	$ 4,262,541	$ 9,631,765	$ 6,187,569

CITY OF PRINCETON, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

	FISCAL YEAR			
	2009	**2010**	**2011**	**2012**
REVENUES				
Property taxes	$ 2,075,209	$ 2,102,158	$ 2,052,550	$ 2,108,665
Non-property taxes	536,055	582,734	618,801	676,052
License and permits	240,298	246,784	222,194	259,738
Fines/Court	267,448	210,408	204,011	195,497
Charges for services	50,641	52,991	48,252	69,510
Administrative fees	-	-	-	-
Impact fees	-	-	-	-
Grants and contributions	55,802	37,366	40,484	159,988
Donations	22,883	11,496	306,348	11,722
Investment income	34,296	18,542	9,552	15,913
Intergovernmental	139,520	2,592,361	2,862,740	246,248
Miscellaneous	47,679	19,367	26,843	38,630
Total Revenues	3,469,831	5,874,207	6,391,775	3,781,963
EXPENDITURES				
General government	437,374	469,005	744,937	490,861
Public safety	1,125,917	1,144,097	1,304,248	1,174,580
Public works	555,308	342,198	444,451	333,393
Public services and operations	251,771	244,025	268,658	269,557
Parks and recreation	141,724	190,555	185,225	229,804
Library	26,052	40,913	-	210
Capital outlay	1,002,291	4,386,064	2,234,246	2,604,944
Debt Service:				
Principal	1,581,501	386,840	638,357	494,283
Interest and other charges	160,197	355,766	324,670	287,818
Issuance cost and bond refunding	-	-	65,000	-
Total Expenditures	5,282,135	7,559,463	6,209,792	5,885,450
OTHER FINANCING SOURCES (USES)				
Note/Bond proceeds	5,431,819	250,000	1,481,682	114,066
Payments to bond refunding escrow agent	-	-	(1,144,500)	-
Insurance refunds	-	-	-	-
Net cost of issuance premium/(discount)	-	-	-	-
Sales of assets	-	-	27,021	-
Capital lease proceeds	-	-	-	-
Transfers	(350,449)	(54,097)	(26,753)	609
Total Other financing Sources (Uses)	5,081,370	195,903	337,450	114,675
NET CHANGE IN FUND BALANCES	$ 3,269,066	$ (1,489,353)	$ 519,433	$ (1,988,812)
Debt Service as a percentage of noncapital expenditures	40.70%	23.40%	24.63%	23.84%

Table 5

FISCAL YEAR					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
$ 2,148,647	$ 2,229,646	$ 2,496,373	$ 2,868,605	$ 3,539,491	$ 4,596,307
694,898	791,100	828,025	1,112,122	1,532,981	1,672,398
291,606	724,455	763,325	1,292,208	1,139,145	1,324,778
223,980	325,175	266,473	313,762	318,666	383,154
91,097	83,217	45,086	130,204	1,058,393	1,714,903
-	-	115,000	115,000	247,703	247,703
-	-	-	-	1,430,930	1,913,383
85,994	11,525	20,258	8,129	343,855	-
17,680	17,010	14,448	16,177	20,466	26,527
11,114	6,702	3,938	15,938	76,593	112,237
768,746	217,809	1,212,846	1,177,809	1,568,006	1,836,090
40,186	29,947	42,759	36,385	19,260	59,090
4,373,948	4,436,586	5,808,531	7,086,339	11,295,489	13,886,570
609,017	725,630	571,945	684,955	850,758	994,127
1,151,292	1,293,428	1,445,434	1,630,932	2,897,383	3,760,715
429,004	460,504	700,550	748,702	755,542	661,496
291,680	276,377	476,654	636,406	872,474	1,329,191
109,854	95,038	403,473	460,734	443,937	604,104
133,852	95,733	103,605	117,758	141,514	159,990
1,696,947	494,965	2,205,877	3,917,850	6,122,703	8,902,747
566,061	478,089	550,866	649,425	771,122	1,133,551
258,593	211,565	307,171	388,396	531,818	562,245
28,143	-	68,397	84,689	68,700	-
5,274,443	4,131,329	6,833,972	9,319,847	13,455,951	18,108,166
1,549,861	-	1,360,000	3,245,000	8,465,000	-
-	-	-	-		
-	-	-	-	-	-
-	-	89,052	202,141	26,200	-
-	-	-	-	6,000	76,230
-	-	29,809	182,652	110,814	1,489,406
(32,841)	(84,550)	(132,418)	(32,491)	22	(317,115)
1,517,020	(84,550)	1,346,443	3,597,302	8,608,036	1,248,521
$ 616,525	$ 220,707	$ 321,002	$ 1,363,794	$ 6,447,574	$ (2,973,075)
23.23%	18.97%	18.82%	19.21%	17.77%	18.42%

CITY OF PRINCETON, TEXAS **Table 6**
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(unaudited)

Fiscal Year Ended Sept. 30	Real Property		Personal Property Other	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Gross Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property						
2009	$ 289,549,844	$ 37,574,527	$ 16,142,134	$ (61,900,306)	$ 281,366,199	$ 0.728394	$ 343,266,505	81.97%
2010	278,538,937	31,462,248	24,609,961	(53,436,205)	281,174,941	0.728394	334,611,146	84.03%
2011	278,592,732	33,766,205	27,487,082	(58,979,246)	280,866,773	0.728394	339,846,019	82.65%
2012	295,401,109	42,701,207	2,497,520	(59,111,138)	281,488,698	0.728394	340,599,836	82.64%
2013	293,259,335	44,359,953	233,729	(62,018,127)	275,834,890	0.728394	337,853,017	81.64%
2014	313,596,419	49,171,779	2,510,382	(63,673,035)	301,605,545	0.738999	365,278,580	82.57%
2015	364,887,976	52,483,026	2,471,089	(75,771,626)	344,070,465	0.738999	419,842,091	81.95%
2016	431,633,366	56,757,007	2,701,269	(106,120,967)	384,970,675	0.721800	491,091,642	78.39%
2017	500,547,077	67,989,329	2,949,716	(108,947,539)	462,538,583	0.691890	571,486,122	80.94%
2018	699,455,122	100,020,051	3,260,865	(184,613,386)	618,122,652	0.689890	802,736,038	77.00%

Source: Collin County Appraisal District

Note Property is reassessed annually. Property is assessed at actual value; therefore, the assessed values are equal to the actual value.
Tax ratesa re per $100 of assessed value.

CITY OF PRINCETON, TEXAS **Table 7**
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(PER $100 OF ASSESSED VALUE)
(unaudited)

	City Direct Rates			Overlappy Rates*		
Fiscal Year Ended Sept 30	Operating/ General Rate	General Obligation Debt Service	Total Direct	Princeton Independent School District	Collin County	Collin County Community College
2009	$ 0.439990	$ 0.288404	$ 0.728394	$ 1.490000	$ 0.245000	$ 0.086493
2010	0.439990	0.288404	0.728394	1.490000	0.245000	0.086300
2011	0.439990	0.288404	0.728394	1.591400	0.245000	0.086300
2012	0.439990	0.288404	0.728394	1.490000	0.240000	0.086300
2013	0.439990	0.288404	0.728394	1.490000	0.240000	0.086299
2014	0.511969	0.227030	0.738999	1.473600	0.240000	0.083643
2015	0.511969	0.227030	0.738999	1.480000	0.237500	0.081960
2016	0.503901	0.217899	0.721800	1.620000	0.235000	0.081960
2017	0.459509	0.230381	0.689890	1.620000	0.225000	0.081222
2018	0.426465	0.263425	0.689890	1.620000	0.192246	0.079810

CITY OF PRINCETON, TEXAS
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(unaudited)

Table 8

Taxpayer	Assessed Taxable Value FY2018	Rank	Percentage of Assessed Taxable Value
Walmart Real Estate Business Trust	$ 16,748,069	1	2.71%
D R Horton - Texas Ltd	9,929,755	2	1.61%
WalMart Stores Texas LLC	9,786,384	3	1.58%
Charley's Concrete Company, Inc	6,583,763	4	1.07%
Lennar Homes of Texas Ltd	6,279,280	5	1.02%
LGI Homes - Texas LLC	6,258,784	6	1.01%
Edison Development Co	5,372,718	7	0.87%
Stonehollow Homes LLC	5,233,912	8	0.85%
Meritage Homes of Texas LLC	4,661,883	9	0.75%
JDFIU Princeton LLC	4,626,290	10	0.75%
	$ 75,480,838		
Total Assessed Value	$ 618,122,652		

	Assessed Taxable Value FY2009	Rank	Percentage of Assessed Taxable Value
Edison Development Co	$ 3,160,720	1	1.12%
CR 407 & FM 75 LLLP	2,396,902	2	0.85%
Princeton Village, LLC	2,114,494	3	0.75%
Jefferson Bank	2,004,775	4	0.71%
First Bank Farmersville	1,849,236	5	0.66%
Princeton 380 Ltd	1,795,164	6	0.64%
Gehan Homes	1,746,847	7	0.62%
GA Thright Marvin	1,663,736	8	0.59%
KCM Holdings	1,480,387	9	0.53%
JOMC Properties Inc	1,404,738	10	0.50%
	$ 19,616,999		
Total Assessed Value	$ 281,174,941		

CITY OF PRINCETON, TEXAS **Table 9**
PROPERTY TAX LEVIES AND COLLECTIONS
(unaudited)

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to-Date	
		Amount	% of Levy		Amount	% of Levy
2009	$ 1,997,108	$ 1,955,460	97.91%	$ 35,938	$ 1,991,398	99.71%
2010	2,046,391	1,997,250	97.60%	41,580	2,038,830	99.63%
2011	2,041,553	1,999,672	97.95%	35,819	2,035,491	99.70%
2012	2,048,174	2,024,856	98.86%	17,616	2,042,472	99.72%
2013	2,101,230	2,093,767	99.64%	784	2,094,551	99.68%
2014	2,210,407	2,198,054	99.44%	2,356	2,200,410	99.55%
2015	2,449,973	2,440,330	99.61%	-	2,440,330	99.61%
2016	2,833,887	2,812,844	99.26%	4,569	2,817,413	99.42%
2017	3,605,161	3,539,491	98.18%	4,150	3,543,641	98.29%
2018	4,724,242	4,596,306	97.29%	2,363	4,598,669	97.34%

Source: Collin County Appraisal District

CITY OF PRINCETON, TEXAS
RATIO OF OUTDSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(unaudited)

Table 10

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita (1)
	General Obligation Bonds	Certificates of Obligations	Other Obligations	Limited Tax Note	General Obligation Bonds	Certificates of Obligations	Other Obligations			
2009	$1,270,500	$4,315,000	$ 19,236	$1,325,000	$1,754,500	$8,120,000	$ -	$16,804,236	13.44%	2,675
2010	1,218,000	4,565,000	9,896	1,025,000	1,687,000	7,985,000	-	16,489,896	12.95%	2,577
2011	1,439,500	4,315,000	31,521	695,000	1,610,500	7,845,000	17,756	15,954,277	11.78%	2,344
2012	1,325,600	4,315,000	105,204	355,000	1,521,400	7,700,000	11,482	15,333,686	10.14%	2,061
2013	1,321,622	4,254,295	284,804	1,285,000	1,490,600	7,550,000	3,516	16,189,837	9.64%	2,178
2014	1,206,200	4,149,963	204,915	1,110,000	1,393,800	7,395,000	-	15,459,878	12.15%	1,781
2015	1,058,200	5,421,659	150,456	935,000	1,286,800	7,230,000	105,990	16,188,105	11.83%	1,730
2016	906,500	8,435,000	260,384	755,000	7,203,500	1,130,000	150,594	18,840,978	11.92%	1,818
2017	762,200	16,801,315	224,377	570,000	7,479,800	950,000	145,972	26,933,664	10.21%	2,533
2018	695,600	16,382,202	1,626,832	-	7,352,610	760,000	596,692	27,413,936	8.39%	2,138

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(1) See Table 15 for personal income and population data.

CITY OF PRINCETON, TEXAS **Table 11**
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(unaudited)

Fiscal Year	Estimated Population	Assessed Property Value (1)	Gross Bonded Debt (2)	Less: Debt Service Funds (3)	Net Bonded Debt	% Net Bonded Debt to Assessed Property Value	Net Bonded Debt Per Capita
2009	6,282	$ 281,366,199	$ 6,929,736	$ 277,778	$ 6,651,958	2.46%	$ 1,103
2010	6,400	281,174,941	6,817,896	328,806	6,489,090	2.42%	1,065
2011	6,807	280,866,773	6,481,021	342,532	6,138,489	2.31%	952
2012	7,440	281,488,698	6,100,804	372,018	5,728,786	2.17%	820
2013	7,469	277,934,890	7,145,721	429,895	6,715,826	2.57%	957
2014	8,769	301,605,545	6,671,078	431,132	6,239,946	2.21%	761
2015	9,356	344,070,465	7,565,315	386,489	7,178,826	2.20%	809
2016	10,632	384,970,675	10,356,884	389,971	9,966,913	2.69%	974
2017	10,632	462,538,583	18,133,515	550,692	17,582,823	3.92%	1,706
2018	12,822	618,122,652	18,704,634	659,744	18,044,890	3.03%	1,459

Source:
(1) Collin County Appraisal District
(2) Schedule of Bonds Payable and total bonds for fiscal year
(3) Schedule of General Long-term debt and statistical section

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF PRINCETON, TEXAS **Table 12**
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(unaudited)

Governmental Subdivision	Gross Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Collin County	$ 319,710,000	0.46%	$ 1,470,666
Collin County CCD	246,415,000	0.46%	1,133,509
McKinney Independent School District	572,155,000	0.10%	572,155
Princeton Independent School District	166,837,329	56.05%	93,512,323
	$ 1,305,117,329		$ 96,688,653
City of Princeton			$ 25,190,412
			$ 121,879,065
Ratio of overlapping debt to taxable assessed valuation (valued at 100% of market value)			19.72%
Per capita overlapping bonded debt			$ 9,505

Source: "Texas Municipal Report" as of September 30, 2018, prepared by the Municipal Advisory Council.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Princeton. This process recognizes that, when considering the City of Princeton's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Princeton's boundaries and dividing it by the overlapping government's total taxable assessed value.

CITY OF PRINCETON, TEXAS
LEGAL AND DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(unaudited)

Table 13

	FISCAL YEAR									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Tax Limit Rate	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
Current Tax Rate	0.728394	0.728394	0.728394	0.728394	0.756900	0.738999	0.721800	0.691886	0.689890	0.688820
Available Tax Rate	$ 1.7716	$ 1.7716	$ 1.7716	$ 1.7716	$ 1.7431	$ 1.7610	$ 1.7782	$ 1.8081	$ 1.8101	$ 1.8112

Legal Debt Margin Calculation for Fiscal Year 2017

Taxable assessed value	$ 618,122,652
Add back exempt real property	184,613,386
Total assessed value	$ 802,736,038
Debt limit (10% of total assessed value)	
Debt applicable to limit:	
Property tax supported debt	$ 18,704,632
Less: Amount set aside for repayment of general debt	(659,744)
Total net debt applicable to limit	$ 18,044,888
Legal debt margin	2.25%

CITY OF PRINCETON, TEXAS **Table 14**
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
(unaudited)

	Water and Sewer Revenue Bonds					
				Annual Requirements		
Fiscal Year	Total Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Principal	Interest	Times Coverage
2009	$ 6,824,537	$ 5,163,318	$ 1,661,219	$ 298,400	$ 342,428	2.59
2010	3,198,875	2,567,725	631,150	352,500	345,119	0.90
2011	3,868,421	3,324,228	544,193	216,500	463,160	0.80
2012	3,841,759	3,094,483	747,276	239,100	436,766	1.11
2013	4,383,979	3,449,737	934,242	251,800	429,508	1.37
2014	4,815,894	3,223,135	1,592,759	277,000	413,325	2.31
2015	5,218,120	3,418,349	1,799,771	288,300	401,744	2.61
2016	6,765,321	4,722,866	2,042,455	320,700	166,409	4.19
2017	6,824,537	5,163,318	1,661,219	298,400	342,428	2.59
2018	8,901,145	6,015,505	2,885,640	1,133,551	562,245	1.70

Note: (1) Total Revenues does not include non-operating revenues
(2) Operating expenses only - does not include transfers or deprecation

CITY OF PRINCETON, TEXAS **Table 15**
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(unaudited)

Fiscal Year	Estimated Population (1)	Personal Income	Per Capita income (2)	Average Age (3)	Grade School Enrollment (4)	Unemployment Rate (5)
2009	6,282	$ 125,024,364	$ 19,902 *	45	2,804	8.20%
2010	6,400	127,372,800	19,902 *	35	2,183	7.50%
2011	6,807	135,472,914	19,902 *	35	2,347	8.50%
2012	7,440	151,255,200	20,330	32	1,999	9.60%
2013	7,469	168,844,214	22,606	31	1,853	8.30%
2014	8,679	187,761,488	21,634	34	1,954	5.70%
2015	9,356	191,461,184	20,464	36	1,798	4.20%
2016	10,362	224,565,264	21,672	36	1,798	4.30%
2017	10,362	263,909,778	25,469	34	1,950	3.60%
2018	12,822	326,563,518	25,469	34	2,090	3.60%

Sources:

1 Kimley Horn Engineers
2 United States Census Bureau
3 Collin County
4 Princeton ISD
5 Texas Workforce Commission - (data for Collin County)
* - Estimated by NCTCOG

CITY OF PRINCETON, TEXAS **Table 16**
PRINCIPAL EMPLOYERS
SEPTEMBER 30, 2018
(unaudited)

	2018	
Name of Employer	**No. of Employees**	**Rank**
Princeton Independent School District	575	1
Walmart	300	2
City of Princeton	75	3
Villa Asuncion	70	4
McDonalds	36	5
Jack in the Box	25	6
Charley's Concrete	20	7
Tractor Supply	19	8
Taco Bell	12	9
Citizens State Bank	10	10
Totals	1,142	

	2009	
Name of Employer	**No. of Employees**	**Rank**
Princeton Independent School District	380	1
City of Princeton	30	2
Asuncion Acosta Nursing Home	24	3
Jackson Enterprises	16	4
McDonalds	16	5
Rainbow Connection Daycare	10	6
Citizens Bank	10	7
N/A	-	8
N/A	-	9
N/A	-	10
	486	

Note: Total employment within City is not available

CITY OF PRINCETON, TEXAS **Table 17**
FULL-TIME EQUIVALENT CITY GOVERNMENT
EMPLOYEES BY FUNTION/PROGRAM
LAST TEN FISCAL YEARS
(unaudited)

	FISCAL YEAR				
Function/Program	**2009**	**2010**	**2011**	**2012**	**2013**
General Government	5	5	5	5	5
Police	12	12	12	11	,12
Fire	0	0	0	0	1
Municipal Court	2	2	2	2	3
Development/Code Enforcement	3	2	4	4	2
Library	1	1	1	1	1
Community Relations	0	0	0	0	0
Municipal Services	8*	8	3	3	0
Streets	0*	1	2	2	2
Facilities	0	0	0	0	0
Parks and Recreation	0*	0	0	0	0
Utility Administration	4	4	3	3	3
Water, Sewer	12	10	2	3	5
Storm Water	0	0	0	0	0
Total	**47**	**46**	**36**	**36**	**36**

	FISCAL YEAR				
Function/Program	**2014**	**2015**	**2016**	**2017**	**2018**
General Government	5	5	5	6	6
Police	,12	13	12	15	21
Fire	1	1	9	16	17
Municipal Court	3	2	3	3	3
Development/Code Enforcement	4	4	3	4	5
Library	1	1	2	2	3
Community Relations	0	1	1	1	1
Municipal Services	0	0	0	0	0
Streets	2	2	3	3	3
Facilities	0	0	4	4	5
Parks and Recreation	0	0	3	4	6
Utility Administration	3	3	3	3	4
Water, Sewer	6	6	7	9	12
Storm Water	0	0	0	2	3
Total	**39**	**43**	**55**	**72**	**89**

Source: City of Budget book

*- Beginning in FY2008, Parks, Streets, and Municipal Services were combined.
In FY2016, Parks, Facilities, and Streets are separate departments

CITY OF PRINCETON, TEXAS **Table 18**
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(unaudited)

	FISCAL YEAR									
Function/Program	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Police										
Physical arrests	245	293	267	291	296	352	236	364	378	591
Traffic violations	2,911	2,142	2,210	2,775	2,750	2,706	1,992	4,454	6,460	2,861
Fire										
Number of calls answered	1,032	973	1,215	1,254	1,355	1,536	1,555	1,929	2,100	2,213
Inspections, residential/commercial	32	60	35	42	33	155	168	178	189	241
Water/Sewer										
New connections	95	114	316	282	593	568	301	656	315	724
Avg daily consumption (gallons)	219,000	6,155,000	373,000	1,163,000	1,153,000	1,054,000	1,149,000	1,250,000	1,281,417	1,453,000
Water main breaks	4	24	50	100	175	188	193	143	155	282

Sources: City departments

N/A - information not available

* Includes residential, commercial and miscellaneous permits (fence, pools, etc)

** Parks was previously reported in the street department prior to FY2017

CITY OF PRINCETON, TEXAS **Table 19**

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

(unaudited)

	FISCAL YEAR									
Function/Program	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	3	4	6	6	9	11	11	12	14	15
Number of officers	12	12	12	11	,12	,12	13	12	15	15
Fire										
Fire Stations	1	1	1	1	1	1	1	1	1	1
Number of firefighters	0	0	0	0	1	1	1	9	16	17
Number of volunteer firefighters	N/A	N/A	N/A	18	12	16	24	22	24	24
Streets										
Streets (miles)	23	23	23	23	24	26	28	64	69	61.3
Number of street lights	175	175	175	175	202	232	246	309	361	420
Water/Sewer										
Water lines (miles)	24	27	27	27	27.5	27.5	30	58.8	69	80
Sanitary sewer (miles)	20	50	50	50	50.5	50.5	53	44.8	50	60.4

Sources: City departments

CITY OF PRINCETON
THE STATE OF TEXAS